THE EMPIRE CLUB OF CANADA

Founded 1903

Addresses
1997–1998

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THE EMPIRE CLUB OF CANADA

1997–1998
94th Year

HER MAJESTY QUEEN ELIZABETH II
AND PRINCE PHILIP

THE
EMPIRE
CLUB
OF CANADA

Founded 1903

Addresses
1997–1998

GOD SAVE THE QUEEN

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The Empire Club of Canada

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100 Front Street West
Toronto, Ontario M5J 1E3
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The opinions and views expressed in the
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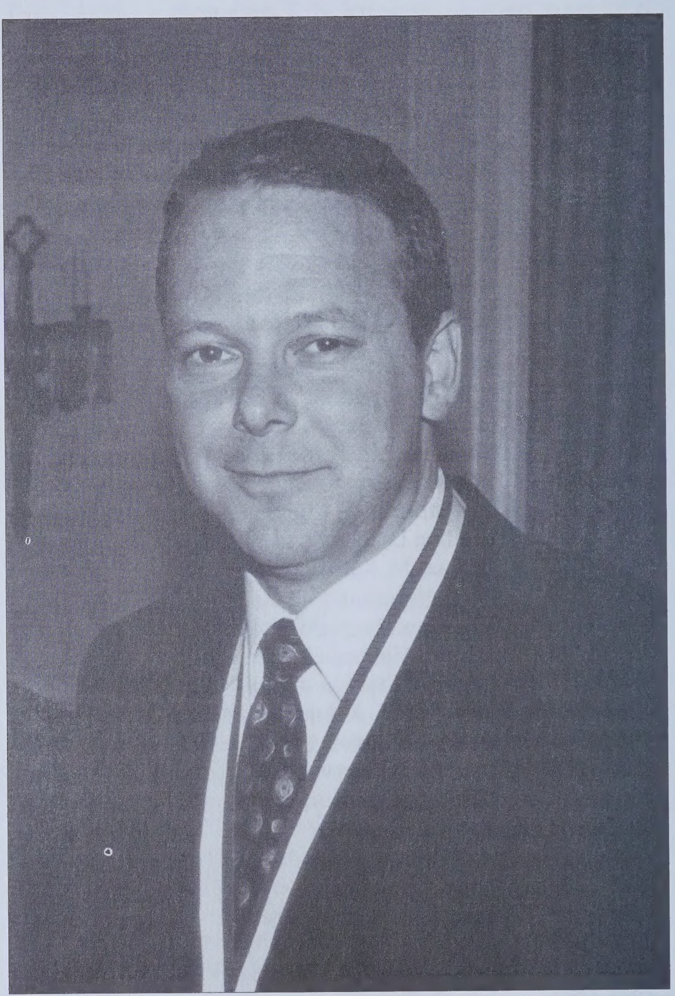

Gareth Seltzer
President, 1997–1998

The Empire Club of Canada
PRESIDENT'S FOREWORD

In this book, since 1903, each President of The Empire Club of Canada has attempted to capture what makes both the Club and the honour of serving as its President unique in both Canadian history and his or her own life. In terms of Canadian history, I think that it is fair to say that even in the age of Internet and instantaneous market reaction, that reaction is almost always a result of what somebody has said. The changing architecture of the world is only a medium that reacts to the spoken word. Each new day is a result, to some extent, of what has been said the day before.

And as the world speeds up, one could argue that this forum has become increasingly relevant as access to first-hand information allows an audience to participate in the reaction rather than witness it. During the 1997–1998 season, The Empire Club of Canada was host to speakers on a wide range of topics of importance to Canada, the Commonwealth and the modern league of nations. Our guests, by and large, were entertaining, thought-provoking and gracious. Not always all three, of course. As Yogi Berra said of Mickey Mantle, "He can hit just as good right-handed as he can left-handed. He's just naturally amphibious." A characteristic of inviting leading participants in their fields is that they are not always, by nature, overwhelming speakers. As I reflect on the year, I know we were especially fortunate that each speaker captivated our thoughts and one might argue, raised the bar for the next. It was truly a wonderful season.

One of my objectives during the year was to add to the Club an element of humour and diversity. I personally enjoyed making people laugh, a task made easier as a result of being substantially funnier than many of my fellow directors. Having said that, I was the beneficiary of tremendous support from our board and would like to especially thank David Edmison, Frederick Jackman, Robert Dechert, Catherine Charlton, Bill Laidlaw, Blake Goldring, Duncan Jackman, George Cooke, Edward Badovinac and Diana Chant for their enormous help and guidance.

Highlights included riding up to the head table on a Harley-Davidson along with the President and CEO of Harley, Richard Teerlink, who delivered an inspirational address that attracted one of our highest ever attendances and many of Canada's most prominent leaders. To leave a luncheon inspired is a gift from the speaker to his or her audience and this year there were plenty of gifts to be had—distributed to thousands of people who attended our meetings and millions who watched on television and listened on the radio. One of the interesting things about being President is that you are called upon to meet people you might not expect. I recall in the summer of 1997 attending two private events with Her Majesty Queen Elizabeth and introducing her to my mother. I was told afterward that appropriate protocol perhaps did not favour my manner of attracting the Queen's attention and saying, "Your Majesty, Dorene Seltzer—Dorene Seltzer, Her Majesty." It was a sensational start to a very fulfilling year.

President Ramos of the Philippines addressed the Club during the IMF negotiations following the Asian meltdown and we heard from the leaders of our hospital and health associations, our banks and government. Federally, it was an election year and we heard from a wide political spectrum on the future of Canada including an inspiring address from Preston Manning, Leader of the Official Opposition, who brought a chair from the House of Commons with him. We heard from the fisheries minister from Newfoundland and Labrador on the benefits of the seal hunt (try selling a corporate table for that luncheon) and speakers ranging from Peter Hogg on the Charter of

Rights and a particularly interesting challenge under the Charter, Richard Peddie—President of The Toronto Raptors, and Keith Norton—Chief Commissioner of the Ontario Human Rights Commission. American Presidential candidate and publisher Steve Forbes was yet another inspiring speaker along with the U.S. Ambassador to Canada, Gordon Giffin. We had thoughtful and entertaining prose from Mike Duffy, Tom Clark and other journalistic and academic leaders. During this season, we also introduced a "thank you" to outstanding Canadians at our Annual Christmas Luncheon and included a collection for the Daily Bread Food Bank. It was a change that not only captured the attention of the press, but also spoke to the Club's willingness to adjust tradition.

A personally interesting aspect to the role of President is that you are on television weekly—and otherwise small meaningless characteristics like laughing at your own jokes and wearing a poorly selected tie seem to be enhanced. I watched myself go grey during the year but found solace in the fact that I usually had more hair than many others did at the head table. All of a sudden people recognise you when you previously had the benefit of anonymity. Readers of this fine book have the valuable benefit of being able to read these passionate and important addresses without the disadvantage of having to see me.

I have been fortunate to have met many extraordinary individuals through The Empire Club of Canada—from His Holiness The Dalai Lama and the Rev. Billy Graham to General Rader, leader of The Salvation Army. Just prior to accepting the role as President, I sat down with our Honorary Chairman The Hon. Henry N.R. Jackman and asked, well, "Could I do it?" He advised that if I put everything into the role then I would have one of the most fulfilling years of my life. With the benefit of a thoughtful board of directors, the counsel of Past Presidents, the assistance of Debbie Testa—our talented Administrator among others, that counsel proved to be true. I must thank Tony van Straubenzee for his introduction to the Club in 1989 as it led to an extraordinary year in my life and, I believe, a proud year for the Club. This book is a snapshot of the Club's success.

Gareth Seltzer, President 1997–98

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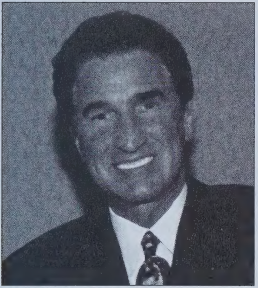


April 30, 1997

Guy Bertrand

President, Citizens for a Democratic Nation Movement

DEFENDING OUR RIGHTS AND FREEDOMS

Chairman: **Gareth S. Seltzer**
President, The Empire Club of Canada

Head Table Guests

The Rev. Kim Beard, Rector, Christ Church, Brampton and a Director, The Empire Club of Canada; Bruce McMinn, Barrister and Solicitor; Diane Francis, Editor, The Financial Post; Patrick Monahan, Professor, Osgoode Hall Law School and was Senior Constitutional Advisor to former Ontario Premier David Peterson; Ann Curran, Partner, Lewis Companies Inc. and a Director, The Empire Club of Canada; Edward Mills, Partner, Mills & Mills; and Bruce Hillyer, President, Canadian Trial Lawyers Association and Founding President, Ontario Trial Lawyers Association.

Introduction by Gareth Seltzer

In thinking of how to introduce Mr. Bertrand I asked several of his associates whether I might be able to have an advance copy of his speech or at least an outline of what he intended to say. I was quickly told that everything that Guy has to say is in his heart and in his mind. Short of a dissection, I was not getting any information in advance. But this is also the nature of the topic. It is one of passion, of heartfelt commitment and of common sense.

That is not to say, however, that you have to look hard for an understanding of the importance of the issues that he specifically addresses. In his 1996 book, "Enough is Enough," Mr. Bertrand outlines why he has moved to challenge the legitimacy of the 1995 referendum in the Quebec Superior Court, that, as he alleges, defied the Constitution and the Charter of Rights. Thinking of the title, "Enough is Enough," one has to agree that the issue of Quebec distinctiveness has, to some extent, grown tired among Canadians—and perhaps equally so among Quebeckers who, like so many others in Canada, have a heartier appetite for prosperity than cultural identity. But to many, including those like myself who are in the investment business, the issue of Quebec is very much an issue of prosperity. It is very much an issue of economic sanctity and very much an influence on our success as a nation.

Last night, while watching the Liberal introduction of the Red Book 2, kindly hosted by Preston Manning, it appeared that there is still no concise plan on how the issue of national unity will be addressed with such definitiveness as to provide to our own markets and to those of foreign investors, that Canada has a set of national rules and is a stable meticulous environment in which to do business. From that comes prosperity and from prosperity, comes the means and resources from which to define and enhance one's own cultural character. The Red Book 2, as you will learn again this afternoon when Chretien unveils it, says that a new Liberal government will work with the provinces toward the constitutional recognition of the distinctiveness of Quebec society, which includes a French-speaking majority, unique culture and a tradition of law. "It would finalise a practice reflected in the decisions of the Supreme Court of Canada." Well, some may remain unconvinced that the next federal government, of any colour, may be any more successful than the last, but one person, one single individual is doing something about it.

And that person is Guy Bertrand. He has decided to fight against the secessionist government before the Supreme Court of Canada—and is doing so in the name of all citizens of Canada. What this country needs is a definitive answer on what the rules are. Declarations of sovereignty by Toronto Island residents, or the Bloc Quebecois must be met with a set of guidelines, a set of rules, as to how these issues should be managed.

Guy Bertrand has practiced law since 1962 and has represented a wide variety of clients on a broad range of issues, always concerned about an individual's right of expression. A founding member of the Parti Quebecois, Mr. Bertrand ran as candidate for party President in 1985. Since then he has, I imagine, "stewed" over the issue of a unilateral declaration of independence. Now he comes to the Empire Club of Canada as a dynamic individual, dedicated to an extraordinarily important cause, and seeking a ruling from the Supreme Court of Canada. I welcome to our podium, Guy Bertrand.

Guy Bertrand

Mr. President, ladies and gentlemen, I am very pleased to be in Toronto.

I start all my speeches with a phrase that represents my new philosophy since I resigned from the Parti Quebecois in February 1985. We cannot spend our whole life trying to separate. In the end we have to learn how to live together. I spent 25 years of my life, day and night, trying to convince the citizens of Quebec that we should separate from this country. I didn't even spend an hour learning how to live together.

Since February 1985 I've been very happy because I found that your problems in Ontario are the same as our own. I rediscovered the country I lost 25 years ago. I rediscovered it and let me tell you today that as a Canadian from Quebec and like many other Canadians from Quebec I'm proud of my country. I'm proud of its values and I'm proud of its accomplishments. We have to recognise that Canada and its Constitution belong to the citizens. It does not belong to the government. It does not belong to the politicians. It belongs to you. It belongs to me. It belongs to the Canadian citizens.

This country, the best country in the world, is in danger because of attacks by secessionists. As citizens, how far are you prepared to save, protect and defend your country? You cannot put your confidence in the politicians anymore. We, the citizens, have to have a plan to protect and save our country.

I don't know how many citizens in this room will question his or her heart and say: "Am I prepared to answer when my country needs help?" Canada today cries for help. At the last referendum Canada saved itself. But it won't be the same next time if you are not there to protect and save your country.

We are not asking you to take up arms when the country is attacked. We are just saying: “Are you ready to do something?” This federal election campaign is the time to do something. We should not wait for a referendum campaign.

Let me tell you that I have personal information from a very good source in the PQ that the next referendum will come as soon as the Supreme Court renders its judgment on the referendum question. That means next year. Don't believe Mr. Bouchard when he says: “In two or three years.” It is next year. We will have a provincial election in the spring and as soon as the Supreme Court gives its judgment Mr. Bouchard will warm up the nationalists in Quebec and say that the Canadian institutions are against Quebec. We have been waiting for 129 years to become independent and now the Supreme Court has destroyed our right to self determination. He will then ask the people to answer to the Supreme Court by saying “yes”in the next referendum.

Let me now tell you the strategies of the PQ. Their plan is to get Quebec out of Canada by using the self determination right for the separatist forces. Self determination right means secession unilaterally using international law. That's the pretence. They need 50 per cent plus one and will use the National Assembly to declare that Quebec is independent. We have decided to oppose that plan.

Our plan has three steps. The first step is going to court. I decided in July 1995 to go to court because the court is the guardian of the Constitution. The court is the guardian of my rights and my freedoms and I decided to say: “You have to protect me.” The Quebec government put up a motion for dismissal and after they lost they left the court. Now the case is in the Supreme Court.

The second step is to ask the Supreme Court to clarify the federal government's constitutional obligations. The federal government has four constitutional obligations. The first is to respect the Constitution. The second is to defend and protect the Constitution, the rule of law, the authority of the Court, the integrity of the Canadian territory, the rights and the freedoms of the citizens and also the rights of the aboriginal people. The third obligation is a constitutional one to oppose and contest any illegal scheme in the future. The fourth is never to participate in an illegal referendum in the future.

The third step of our plan is to force the federal government to impose certain conditions in case of legal secession. Do you know that, of 89 constitutions in the world that we presented to the Supreme Court, 82 prohibit secession directly or indirectly. All prohibit what Quebec is doing now by proceeding unilaterally. The other seven have rules in the case of secession. Don't you think that the majority in this country and the majority in Quebec (because we are a majority against secession) should determine the rules? What are the rules that we propose? Who is going to determine the question? We propose the federal government and the Quebec government agree on a clear question. What would be the percentage necessary? We propose that if a region does not get 50 plus one the region should remain part of Canada. Who is going to vote? Should we have a national referendum or a Quebec referendum? All these things have to be determined. What happens with transport between Ontario and the Atlantic provinces? What happens if secession occurs? We have to determine that before voting. What happens with minority rights in Quebec? They have to be determined also.

Quebec has a plan to get Canada out of Quebec. This plan was started in 1970 when the Parti Quebecois was founded. The object is to remove all Canadian symbols from Quebec. There will be no Canadian flag in Quebec, no national anthem, no Canada. It's Quebec people, not Canadian people. Linguistic questions are used to build ethnic nationalism. The Parti Quebecois destroy the reputation of Canadians going to war to represent their country. If you identify yourself as a Canadian as I have done for three years I'm an opponent, I'm a traitor. I'm against Quebec because I describe myself as a Canadian instead of saying I'm a Quebecker. They create myths. They say we don't belong to Canada because we didn't sign the 1982 Constitution; the Constitution is a bad thing; Canada is a bad thing; we have been rejected by Canada because of the rejection of a "distinct society." And whom do you think are the leaders of this movement? Two hundred people. No more than that. If you read my book you will see that no more than 200 people are trying to force this option. The ordinary people in Quebec don't want secession. The separatists are from the government, the Bloc Quebecois, and are union leaders, student leaders and artists.

The PQ unfortunately have accomplices in the Liberal Party and Mr. Charest from the Conservative Party. The Liberal Party in Quebec plays the same games. That party decided to abolish English as an official language in Quebec. It was the Liberal Party that decided to remove the Canadian flag from the National Assembly. It was the Liberal Party that decided to abolish English on signs in Quebec. It was the Liberal Party in 1991 that decided to pass a law saying that self-determination right meant secession and after 365 days after the referendum Quebec was entitled to proclaim the independence of Quebec.

My friends we opposed their plan by promoting Canada and its Constitution. I think it is not the Constitution that we should change; it's our mentality. In a poll more than 75 per cent said yes we should change our mentality instead of changing the Constitution. Our Constitution is not perfect but it's the best in the world. We found there is no perfect Constitution in the world but in other countries they are not trying to destroy their country just because their Constitution is not perfect. I rediscovered my country and I found that we built it with others. We founded it. We made it grow. We gave a name to this country. We wrote the words and the music of the national anthem. This country belongs to us and if we lose this country we will lose part of ourselves. We have to realise that. It would be a terrible tragedy from which we will never recover.

My friends, this country is not an accident. Through Canada we have expressed our will to live together, to survive and to achieve great things as a nation. Some politicians (Mr. Bouchard and Mr. Johnson) will tell you that it does not work, it is a bad thing. Tell them they are lying. Everything that we have in this country is an extraordinary contribution from every citizen in every province. In all fields of society, industry, commerce, education, justice, health, telecommunications, culture and sports, we have made progress together. We have together learned sharing. We have together learned peace. We have an exceptional quality of life and we should keep it going to give to our children—a country that will be the avant-garde of justice and democracy.

Be sure that you won't forget the phrase that I mentioned at the beginning: "We cannot spend our whole life trying to separate. We have to learn how to live together as equal partners within the Canadian Federation." God bless my country and God bless Canada.

The appreciation of the meeting was expressed by Ann Curran, Partner, Lewis Companies Inc. and a Director, The Empire Club of Canada.

May 9, 1997

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

The Hon. Ernie Eves

Deputy Premier and Minister of Finance

THE ONTARIO BUDGET

Chairman: **Gareth S. Seltzer**
President, The Empire Club of Canada

Head Table Guests

The Rev. Glyn Easson, Associate Priest, St. Paul's Anglican Church, Bloor Street; Edward Frackowiak, Vice-President, General Counsel Canada, First American Title Insurance Company; Dean Levitt, Partner, Coopers & Lybrand; John A. MacNaughton, President, Nesbitt Burns Inc. and a Past President, The Empire Club of Canada; Mrs. Vicki Eves, wife of our guest speaker; William Farlinger, Chairman, Ontario Hydro; Mary Byers, Author and Historian and an Honorary Director, The Empire Club of Canada; John H. Lee, General Manager, JMPM Enterprises Limited; Steven Belchetz, Vice-Principal and Principal, Ernst & Young Investment Advisors; Anthony S. Fell, Chairman and CEO, RBC Dominion Securities Limited; and Stanley H. Hartt, President, The Canadian Club of Toronto and Chairman, Salomon Brothers Canada Inc.

Introduction by Nalini Stewart

Ernie Eves

Thank you.

It is a pleasure to be back today. Some of you may recall that I was with you a year ago after our government's first budget. At that time I talked to you about our plan to set Ontario on a new course towards hope, opportunity and prosperity; a plan that laid the foundation for the budget I tabled on Tuesday.

At that time I talked to you about our goals: to remove the burden of debt from our children's shoulders; to let hard-working Ontarians keep more of their money; to focus on priority services like health care, classroom education and community safety; and to create a climate of sustainable economic growth and jobs. You might also remember that at that time the critics said we would never achieve our goals. They said our plan would not work. It would not stimulate economic growth or create jobs. They tried to steer us off course.

We did not waver. We did not blink. Why? We promised Ontarians that we are unconditionally committed to reaching our goals, that we are very open to discussing how we get there and that by achieving them together, we would create a better tomorrow.

Today I can tell you that the critics were wrong. The message we sent to Ontarians on Tuesday was that our plan is working and we are continuing on our course to invest in a more prosperous future for Ontario: a future free of the endless cycle of tax, spend and borrow; a future that will allow us to protect the priority services that the people of Ontario—the children of Ontario—deserve.

Everyone knows that when we took office the government was spending $1 million every hour more than it was taking in. It was unsustainable. We promised Ontarians that we would fix that problem that weighs so heavily on the backs of the next generation. We are. In each of our two budgets in government, the deficit has been lower than was projected. The deficit this year will be $6.6 billion. Next year it will fall to $4.8 billion. That is a 58-per-cent decrease in the deficit since we took office. We are on track to a balanced budget by the year 2000–2001.

That is not just our view. Dominion Bond Rating Service—not exactly our biggest supporter before we assumed office—has confirmed that the province of Ontario is on track to meet our deficit-elimination target.

As the London Chamber of Commerce, said to us: "We must never return to those days when we gave permission to ourselves to jeopardise the standard of living for future generations of Ontarians." We agree and we are taking action now to ensure that we will not.

We are doing this by investing in tomorrow through wholesale structural changes to the way the province works and investing in today by creating a climate in which people can build their own lives and the private sector can get on with the business of creating jobs. We are paving the way for the small business sector to grow and create jobs by cutting red tape and taxes; improving access to capital; and liberating its spirit of entrepreneurship. We are taking initiatives to keep Ontario at the leading edge of science and technology. We are investing in research and development to help the private sector take advantage of our world-class research capabilities. All of this will enhance Ontario's competitive advantage and will create long-term jobs.

The best job-creation programme is a tax cut. We are cutting taxes. You may have heard of that!

We are not the only province to cut taxes. While the federal finance minister calls tax cuts "irresponsible," six other provincial governments of all political stripes have joined Ontario in cutting taxes to stimulate economic growth. Like Ontario they recognise that taxpayers' money does not belong to government. Government has no money. It only has the money that it takes from the people. That money belongs to the people. Paul Martin may think it is irresponsible to let hard-working, honest Canadians keep more of the dollars they earn, but I do not.

The Canadian Federation of Independent Business calls a tax cut "the only way you are going to get consumers spending again…." We too have always said that if Ontarians were only allowed to keep more of their hard-earned money they would spend it.

But the cuts to personal income taxes are not the only tax cuts we are implementing. In our first budget we cut taxes not once, but 10 times. In Tuesday's budget we cut taxes not 10 but 20 times for a total of 30 tax cuts in less than two years. We are cutting taxes because hard-working Ontarians—employees and employers alike—deserve it.

We are cutting taxes because the evidence is clear. Tax cuts do create economic growth and jobs. Despite what our critics wanted to believe, since implementing the first phase of our tax cut, revenues from all forms of taxation have gone up by $2 billion. In March, fully 75 per cent of all jobs created in the entire country were created right here in Ontario: 46,000 jobs—the largest monthly increase in private-sector job creation in Canadian history.

Today, StatsCan reported an additional 14,500 jobs. All private-sector forecasts anticipate significant job creation in Ontario in the long term. The Ontario Help Wanted Index, which measures job ads placed by employers, is up almost 18 per cent over the past 12 months. The last time the Index grew that fast job growth accelerated to nearly 200,000 jobs per year.

Housing starts are at record highs, up over 20 per cent in 1996 and projected to increase by 29 per cent in '97. Consumer and business confidence are both up, and Ontario is cited to lead Canada in growth in 1997. In fact, the entire economy is responding with a renewed spirit of optimism in this province. It is called growth. It is called confidence.

This is what government must do if government is going to be part of the solution and not part of the problem. Sometimes government can achieve this by simply getting out of the way. Sometimes government must have the courage to change itself. Sometimes government must make the wholesale structural changes required to encourage growth and protect priorities for the future. That requires not only a touch of courage but a true commitment to creating a better today while investing for tomorrow. That is what Ontarians told us they wanted from their government. We are doing exactly what we said we would do.

As we embark upon this restructuring we have been ever cognisant of the needs of communities and health-care professionals across Ontario. On Tuesday I reiterated our commitment to investing in the future. Over the next five years, we are investing in the largest programme of renewal of our health-care system ever undertaken in this province. Some $2.7 billion will be used to restructure our most important priority. Ontarians know that patient needs in 1997 are not being met by a system created for the 50s, 60s, 70s and 80s. We need to respond to the advent of technology and the requirements of an aging population. That is why we are restructuring the health-care system to put the needs of the patient first by creating the most comprehensive and effective community-based health-care system in the country. This includes networks of excellence that will make quality care in areas such as women's health and AIDS treatment and prevention available in more places than ever before. And we are ensuring access to essential services.

The key to improving quality care is the skill, expertise and caring of the people who work in the system.

Bureaucracy does not cure people. Bricks and mortar don't cure people. People cure people.

No one said that change would be easy. Will there be some adjustments and some growing pains? Absolutely. Is that any reason to accept the status quo and not move forward with these necessary changes? Absolutely not.

A colleague at Queen's Park recounted a story about a sermon he heard while attending a church service in Petrolia Ontario. The sermon was about the seven deadliest words in the world. The seven words that have stopped progress. "We have never done it that way before."

I can tell you that I did not get into public life over 16 years ago just to do the easy things. Nor did I watch 10 years of tax-today-and-borrow-from-tomorrow philosophy hobble our economy to simply muddle through the next four years and avoid making those decisions—decisions that will create as many jobs as possible in our province and give our children the opportunity that we owe them. For the first time in history we faced the prospect of leaving our children with a lower standard of living than the one we inherited from our parents. Today's youth are tomorrow's leaders.

As I said in my budget speech on Tuesday, my daughter Natalie and her generation will accomplish things that few of us thought possible. It is our responsibility—each of us here—to ensure that they have the tools they require to do that.

It is our responsibility to ensure they have an education system that is second to none. We are restructuring administration of education, reducing the number of school boards and trustees by half while directing funding to the classroom. Some $650 million in capital construction will be created in the province in education over the next two years. A $250-million offer has been made to the teaching profession to renew itself. We are asking them to make the same commitment—to provide a renewal in the teaching profession as well as renewal in the classroom itself.

Last year I announced the creation of a Student Opportunities Trust Fund. Our goal for post-secondary institutions was to raise up to $100 million and the province would match those funds. They achieved over $250 million which will now make half a billion dollars available to assist 166,000 qualified students to get a post-secondary education they would not have had because of financial limitations.

Financial barriers are not the only ones we are removing. Learning-disabled students in this province deserve the opportunity to fulfil their academic and life potential.

This is an area about which Vicki and I are all too familiar. Our late son Justin, upon graduating from high school, looked in Ontario and throughout Canada for a door to open. The doors were all closed. We had to look elsewhere. We found the answer in Massachusetts just south of Boston at a small university called Curry College where decades of experience had taught it to accept learning-disabled students who were capable. As a matter of fact it now has a requirement that 10 per cent of their freshman body has to be learning-disabled students. Literally thousands of students from all across the world apply to go there every year. Only a few hundred are accepted. Justin was fortunate enough to be one of those. It enables and trains students to overcome their learning-disability handicap, to live full and fulfilled lives and to utilise their talent.

We should provide that opportunity here, in the province of Ontario. In Tuesday's budget we set aside $30 million for a pilot project at both the college and university level so that thousands of students just like Justin can have the same opportunities that he had. Bette Stephenson who introduced Bill 81 when she was education minister will head the task force that will look at this important issue. If Bette Stephenson has anything to say about it, it'll get done.

You know our critics say that our government is all about cutting and slashing and number crunching. Let me tell you that last Tuesday's budget not only allowed us to invest in health care and classroom education but it also provided for a whole lot of social justice:

- A new $40-million Child Tax Credit will assist lower-income working families who are not benefitting from the current system. This will assist some 90,000 families and 125,000 children versus the 70,000 that benefit today. This will be expanded by an additional $100 million.
- The Ontario Tax Reduction programme will be enriched to reduce taxes for 30,000 families; 20,000 more families will pay no Ontario income tax as a result of this initiative.
- $15 million will be provided to respond to the Child Mortality Task Force and to protect vulnerable children. And there is more on the way.
- $5 million will be provided for enhanced child support enforcement under the Family Support Plan to enforce provisions against "dead beat dads."
- $5 million will be provided in tuition assistance for families of officers killed in the line of duty so that their children and their spouses can have the education they desire.
- $27 million will be provided over the next four years to increase efforts to prevent violence against women.
- A $30-million Rural Job Strategy programme will be provided to increase exports, with $3 million earmarked to help rural youth.
- $6 million will be provided to help 40,000 young people to get work experience this summer.
- $215 million will be invested in non-profit housing.

- A 10-year, $3-billion R&D Challenge Fund will be provided. Did you know that two out of every three jobs created in this province in the last 10 years were in the information and technology sector?

That is the future for our children. This budget is all about the things that Leslie Frost talked about in his 1944 budget speech: "We are laying the sure foundations for a greater and stronger Ontario."

In 1944 Ontario was on the verge of decades of prosperity. In 1997 our government's budget is delivering our plan to bring Ontario into a new era of prosperity. As a result of our government's plan, we are able to invest more money in health care, education and communities. By ensuring your tax dollars are spent more wisely, we are able to invest in priority services while continuing to reduce the deficit and cut taxes.

Our plan is about hope and opportunity. It is about restoring people's faith in government and in themselves and giving Ontarians the tools they need so that together we can create a prosperous Ontario for all of us today and for our children tomorrow. To me this is what being a Progressive Conservative is all about.

I'd like to leave you with a quote from George Bernard Shaw: "You see things and you say why? But I dream things that never were and ask why not!" Thank you.

The appreciation of the meeting was expressed by Stanley H. Hartt, President, The Canadian Club of Toronto and Chairman, Salomon Brothers Canada Inc.

June 23, 1997

Jeffrey Gandz

Associate Dean (Programmes), Richard Ivey School of Business, University of Western Ontario

TECHNOLOGY: THE DEATH OF TEACHING, A REBIRTH OF EDUCATION

Chairman: **Julie K. Hannaford**
Past President, The Empire Club of Canada

Head Table Guests

Ed Badovinac, Professor, Department of Telecommunications, George Brown College and a Director, The Empire Club of Canada; Marilene Martins, Grade 12 Student, Bloor Collegiate Institute; David Weiner, President, Ivey Alumni Association, Toronto Club and Partner, National Public Relations Limited; Mary Margaret Laing, Vice-Chair, The Ontario Parent Council and Product Manager, H.J. Heinz Company; Allen Bell, Executive Vice-President, Human Resources, Toronto Dominion Bank; Lindsay Green, Editor, The Training Technology Monitor; Mike Garvey, Partner, Price Waterhouse and Chair, Friends of Ontario Universities; Blair McRobie, Executive Director, Royal Bank of Canada Charitable Foundation and a Director, The Empire Club of Canada; The Rev. Philip Bristow, Associate, St. Paul's, Bloor Street; Georgia Sievwright, Director, Corporate Relations and General Counsel and Secretary to the Board of Directors, Hewlett-Packard Canada Inc.; Jim Rush, Senior Vice-President and Executive Director, Institute for

Learning, Bank of Montreal; and Harry Seymour, Executive Vice-President, GBC Asset Management Inc., Chairman, Pathfinder Learning Systems Corporation and a Past President, The Empire Club of Canada.

Introduction by Julie Hannaford

Jeffrey Gandz

Introduction

Peter Drucker—who, I'm pleased to report, was recently promoted from the status of Management Guru to the elevated title of Management Sage—has confidently predicted the demise of the university within 30 years. He sees this mainly as a consequence of new technologies in telecommunications, multimedia, information processing, virtual reality, and so on. I'm reliably informed that Professor Drucker—who is now in his late eighties—has firm plans to stick around to see if he's right!

With some degree of temerity, if not humility, I'm here to argue that Drucker is dead wrong. Indeed I'm surprised that the same man who wrote "The Post-Capitalist Society," which argued for the ascendancy of the educated, well-rounded person should embrace such technological determinism.

The Role of the Educator in a Technological Age

My conviction is based on four arguments:

First, I wish it were true that people in developed societies want education but the evidence is far from conclusive. Educators are a key element in this motivation and my hope is that they will learn to use technology to reach many more people with high-impact, exciting learning experiences.

Second, the proliferation of information has created a need for excellent educators. Someone is going to have to assist the information gatherer to filter, assemble, aggregate, and arrange this information toward some purpose or end. Technology will itself improve our ability to do this, through more effective search engines, but it will need educators to develop individual abilities.

Third, education has much less to do with information gathering than it has with the development of individuals' thinking and reasoning so that they can appraise that information, separate the relevant from the irrelevant, and the important from the trivial. This requires that individuals develop useful models for absorbing or rejecting this mass of information, critically appraising its validity. Those who help people do this are educators and they will be required in the future as never before, simply because of the excessive amount of information that will bombard students.

Finally, I will argue that the development of such critical abilities is essentially a social activity, ill-suited to the solitary Internet surfer or CD-ROM spinner. I believe that as long as there are people, they will gather in places to engage in the social activities of learning and developing themselves. Technology will enhance and support this learning but Oxford and Cambridge, Harvard and Yale, McGill and the University of Toronto and—yes—the Ivey Business School will still be around.

Disclaimers

Before I flesh out these arguments, let me make three disclaimers. First, I was educated in England at what is commonly referred to as an English public school—which North Americans refer to as a private school. Oscar Wilde once observed that: "The whole theory of modern education is radically unsound. Fortunately in England, at any rate, education produces no effect whatsoever. If it did, it would prove a serious danger to the upper classes… " Oscar Wilde (1854–1900), Anglo-Irish playwright, author. Lady Bracknell, in "The Importance of Being Earnest," act 1.

My second disclaimer is that I am an unabashed technology addict! I was struck with acute technolust at an early age and, when the day of judgment comes and the phrase "he who has the most ties when he dies wins," I will be in the winners' circle. I have owned every generation of computer, I used the Internet before it was called the Internet and, yes, I actually bought an Apple LISA!

My final disclaimer is that I have little experience of education at the primary or secondary school levels. All of my experience has been at the undergraduate and graduate levels and most of that has been at the Ivey Business School. So I shall make my arguments in the context of that experience and leave it to others to extend or reject them on the basis of broader experiences.

In particular I'm going to build on the experiences of our own students at Ivey in their undergraduate, MBA and Executive MBA programmes and on my experiences working with them. I will be using some audio, video and graphic materials that I have culled from various sources. I was going to apologise for the blatantly promotional nature of some of the material until I thought better of it. Since this was a prime audience for the Ivey School and, since we will henceforth be dependent on private funding for our future success, and since we have some very heavy investments to make in technology, and since my Dean is sitting out somewhere in the audience, a commercial is not only excusable but downright essential.

Motivating Learning

From continuing high school drop-out rates, to many students who are in university to get a degree, rather than an education, to people in the workplace who don't avail themselves of available training even though they know their skills are becoming obsolete, we see how critical it is to turn people on to education.

We see and have experienced those truly great educators—from kindergarten to graduate school—who managed to find those buttons in people that turn them on to learn. Their enthusiasm for their topic, their passion and belief that it will help us if we join with them in the education process, their creativity and commitment to turn the mundane into the exciting so that it will turn us on… these are critical dimensions of great educators.

I believe that technology has the potential to be harnessed to this motivational task. One has only to pass a video arcade to see the amount of concentration on a task that technology can bring to a teenager previously diagnosed with attention deficit disorder! However, it will be years, perhaps decades before technology will truly care for the individual, the way a great educator cares about her or his students.

Appraising Information

Gutenberg's invention of the printing press represented the first freeing of the general population from the tyranny of education by elites. The Internet has let the genie out of the bag for the second time, bringing information into the hands of everyone who has access to a reasonable public education system although, as we shall see, certainly not on an equal-access basis as yet.

The veritable cornucopia of information that can be explored through the Internet and other electronic databases threatens our minds in just the same way that unrestrained and frequent visits to one of the glorious Chinese buffets threatens our digestive system. Gorging at Fu Lam City may provoke a Maalox moment; gorging at the trough of the Internet can produce a Microsoft Moment which is every bit as painful.

It is not unusual for me to walk into class in the morning to teach a case about doing business in Vietnam—which I have never visited—to find several of my students having spent a couple of hours researching Vietnam's political economy, trade statistics, legal system, currency convertibility, and so on. In many respects they know more than I do about Vietnam.

So what value do I add? Well, early that morning I too had hit the Internet—yes, there is no place to hide! And I had found at least three different estimates of the unemployment rate in Vietnam, ranging from 2.9 per cent on the official communist party's home page to an estimate of 27.6 per cent by a Vietnamese economist who was working at Harvard. Did it matter, I asked my students, which of these estimates was right? Would that affect the decision to invest in automobile assembly in Vietnam? What was the critical level? By the way, how good did they think the Vietnamese equivalent of Statistics Canada was, and did that matter? I believe that they learned more about the importance of using valid statistics in making management decisions in that case because they had used information without thinking about its validity and I had called them on its use.

Developing People

Another great step forward in information technology has been the bringing of the thoughts and ideas of many others into our radar screens. We are able to read, see and hear peoples' ideas and views almost immediately, without the censoring effects of publishers, no matter how benign they are.

Let me give an example. One of the great moral and practical debates of our time is over the doctrine of constructive engagement—the issue of doing business with countries with what we term repressive political systems and in which our concepts of human rights appears not to be respected.

In our Global Environment of Business Course—which seeks to inform students of the major political, economic, social and technological forces shaping global business activity—this issue is dealt with using a case study of a company thinking of doing business in Myanmar and worried about the response of its customers. Lets look at the way technology can be used to illustrate the debate.

My class starts at 8:00 a.m. At 7:00 I hit the Internet. Yes, Just-in-Time production has reached the universities. And here are just some of the perspectives that I was able to bring to bear on the class.

Inserted at this point was a demonstration of the use of the Internet for preparation of a class.

My role as an educator is to seek out this information, present it in a way that stimulates thinking, in a way that informs opinion and transforms mere opinions into cogent arguments. But I must do all of this fully aware of the fact that every student in my class has the same access to the same information. What I am trying to do, to quote one of my colleagues, Dick Hodgson, is to raise peoples' views from the edge of the rut to the horizon.

The Nature of Learning

One consequence of an English public school education was that I had my fill of having knowledge forced or thrashed into me by autocratic, didactic and downright pedantic teachers. While I can remember little that happened yesterday I can still conjugate the pluperfect subjunctive of most common Latin verbs. My teachers had access to the fount of knowledge and they controlled our access to it. They determined what we ought to know, what information we could work with. With difficulty we could get access to other information but, let's face it, a single copy of "Lady Chatterley's Lover" took a long time to circulate in an all-boys school in the 1950s. They had control!

Without any doubt, technology will replace teaching that merely conveys facts. When it comes to presenting facts, in a high-impact, entertaining, complete, and accurate fashion it's hard to beat multi-media presentations, especially those using advanced "game" techniques. And, increasingly, these are becoming available over the

Internet. It is even possible that certain theories can be taught using multi-media, especially when they can be expressed as simple rules. An example is a simple skill-training module on teams produced by one of the other business schools although, having painfully worked my way through one of the CDs, I'm ashamed to admit that I did not open the wrapper on the others.

I was fortunate to be brought up with an additional dimension to my education—that of a Talmudic tradition in which eight year olds would debate with 80 year olds about things that seemed to be inconsequential but which had laid the basis for fundamental beliefs of humankind throughout the ages.

Without knowing it, I was being exposed to what we sometimes call the Socratic method in which the instructor or facilitator draws not only on his fount of knowledge but on the knowledge of his pupils, on their experiences, on their perspectives. He encourages them to argue different points of view in the belief, the faith, that they will emerge with models of their own to help them make sense of the issues. This modality has long been at the core of the Ivey Business School approach as it was at Harvard Law School and at numerous institutes of learning in the ancient world.

Yet the Socratic method had its practical limitations. The problem was that the teacher inevitably had much more knowledge than his students. He was learned, he could access facts to debunk any hypothesis—indeed he could probably make some up if he needed to. For the student had limited experience and, realistically, limited access to information. He had to go to a library, master the Dewey Decimal System, order books from other locations, conduct elaborate cross-referenced literature searches, and so on.

No longer. Students can have access to the same "fount of knowledge" as the professor. Indeed, if they have access to modern technology and a facility for using it—

the latter of which is regrettably lacking in many teachers—they will have access to more knowledge. When everyone is immersed in this bath of knowledge, what is the role of the teacher?

This is where the teacher must become an educator. Ensuring that everyone benefits from access to not only the information in the teacher's mind, but also to the collective experiences of the students and those represented in the total body of knowledge that is available to all, requires outstanding motivational and communications skills, humility, and commitment to the learning experience. The phrase "I don't know" has become the most used in my teaching vocabulary, followed closely by "how do you suggest that we find out?"

Education and Development

With much factual material available, with CD-ROMs dispensing the advice of the great gurus of management—why then should people come together to learn? The famous Italian educator Maria Montessori summed this up when she noted that:

> If education is always to be conceived along the same antiquated lines of a mere transmission of knowledge, there is little to be hoped from it in the bettering of man's future. For what is the use of transmitting knowledge if the individual's total development lags behind?" Maria Montessori (1870–1952), Italian educator. "The Absorbent Mind," ch. 1 (1949).

A former master at Eton College in the nineteenth century also addressed this when he talked about great schools:

> But you go to a great school not so much for knowledge as for arts and habits; for the habit of attention; for the art of expression; for the art of assuming at a moment's notice a new intellectual position; for the art of entering quickly into another person's thoughts; for the habit of submitting to censure and refutation; for

the art of indicating assent or dissent in graduated terms; for the habit of regarding minute points of accuracy; for the art of working out what is possible in a given time; for taste; for discrimination; for mental courage and mental soberness.

William Johnson Cary

The real value of education is not in what one learns but in how one develops.

I will argue that this development is a social interaction. Listen to three of our students (ranging from 21-year-old undergraduates to executives in their forties) talking about their experiences.

Inserted here were three video clips in which students talked not about what they had learned but how they had changed and developed as a result of the Ivey Business School experience.

The Promise of Technology in the Developmental Process

One of the key advances that we are exploiting at the Ivey School is affordable, studio-quality video-conferencing. This enables us to offer our highly-interactive, case-based programmes in both high-tech and lo-tech modalities. Our lo-tech mode is the classroom, our high-tech mode is the video-conferencing mini-studio.

The advantages of operating in hi-tech mode is obvious; we can bring the student to the institution and the institution to the student. And we can do this without sacrificing interactivity, if we are prepared to invest in high levels of technology. And by using technology, we can take students into the world and bring the world to students, often using technology to do this.

Technology has enabled us to reach out to more people who could never have taken a programme such as ours, people who may be unable to take the time to return to school or, indeed, must somehow integrate their education with their workplaces.

But we have found that even with the best available interactive video-conferencing technology in the world, backed up with full e-mail and Internet capabilities, we still require a strong element of person-to-person contact. Therefore, we use residential periods at our Spencer Hall facility as well as convening classes in various parts of the country. Our experience is that hi-tech must be accompanied by hi-touch if real learning is to take place.

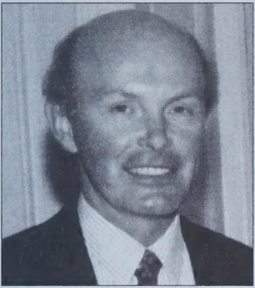
Education and Business

Technology will enable education to be delivered just in time and in the right place, a boon to the integration of the need for education with the realistic constraints of the workplace. Ongoing communication and interaction with educators will be enabled through telecommunications technology and a variety of supportive relationships that will develop between educational and business institutions. Students who could not take time out of their lives for graduate study can now avail themselves of the very best, at a time and place that makes it feasible. The concept of training and education in the right place at the right time has been enabled and, within the next two years, it will be widely affordable.

The combination of telecommunications technology and information technology has made the educational network a realistic proposition for the first time. Twenty executives in Canada can meet with 20 executives in Mexico and 20 in the U.S. in one "classroom," sharing professors, sharing experiences, sharing perspectives about doing business in the Americas. Three customer service representatives in Yellowknife who find a new way of selling Registered Retirement Savings Plans in the first week of February could put on a seminar for all other Customer Service Representatives in a bank the following day. Individuals today have unprecedented access to education both as a consumer good and an economic input; those who do not take advantage of this will fall behind.

Organisations that encourage and—through effective use of technology—enable everyone to be both learners and teachers will advance; those that confine the gathering and dispensation of knowledge to the few will lag behind. Those whose information is organised on a need-to-know basis will lag behind those who make information widely available to people who will use that information in ways never thought of before—including ways that are functional for the business. Those who can master the tools and embrace the ideology of distributed teaching and interactive learning will thrive in the information age; those who need to control the gathering and dispensation of knowledge will become anachronisms.

The appreciation of the meeting was expressed by Harry Seymour, Executive Vice-President, GBC Asset Management Inc., Chairman, Pathfinder Learning Systems Corporation and a Past President, The Empire Club of Canada.



May 21, 1997

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

Peter Y. Atkinson

Vice-President and General Counsel, Hollinger Inc.

NEWSPAPER CONCENTRATION

Chairman: **Libby Burnham**
Immediate Past President,
The Canadian Club of Toronto

Head Table Guests

Gareth S. Seltzer, President, The Empire Club of Canada and Vice-President, Private Wealth Management, Guardian Capital Advisors; Derek C. Hayes, Executive Vice-President and General Counsel, Canadian Imperial Bank of Commerce; Arnold Auguste, Publisher and Owner, SHARE Newspaper; Archdeacon H.S.C. Hilchie, St. Paul's Anglican Church; Daniel J. Henry, Senior Legal Counsel, CBC; Dixon S. Chant, Deputy Chairman, Hollinger Inc.; Dr. F.L.R. Jackman, Chairman, Jackman Foundation and a Past President, The Empire Club of Canada; Barbara Hyland, Publisher, Investment Executive and IE: Money; The Hon. Charles L. Dubin, Q.C., Tory Tory DesLaurier and Binnington; and Knowlton Nash, Broadcaster, Author and President, The Canadian Journalism Foundation.

Introduction by Libby Burnham

Peter Y. Atkinson

When I accepted the invitation to address you today, my initial reaction was to discuss the issues involved in media concentration, without getting too wrapped up in newspaper publishing generally and Hollinger in particular. However, it didn't take too much reflection to cause me to conclude that Hollinger's role in newspaper publishing in Canada is a major issue and nothing would be more interesting than to deal with that topic directly.

Hollinger's dominance of the Canadian newspaper publishing industry is a recent development. A year ago today we owned only approximately 20 per cent of the voting shares of Southam. With three newspapers in Quebec, eight in British Columbia, one in P.E.I., the recently acquired Sifton newspapers in Saskatchewan, and some small newspapers in Ontario, Hollinger's newspaper interests in Canada were relatively small in comparison to Thomson Newspapers and Southam.

All of that changed on May 26, 1996 when, in a surprising development, Power Corporation sold Hollinger its shares in Southam thereby taking Hollinger's interest in Southam to over 40 per cent. With that came effective control which became absolute control when Hollinger increased its ownership interest in Southam above 50 per cent last December. The addition by Southam of 15 daily newspapers in Ontario and the Maritimes during the summer and fall of 1996 substantially increased Southam's newspaper holdings and with it Hollinger's interest in newspaper publishing in Canada.

These changes provoked considerable controversy which included a lawsuit from the Council of Canadians, a two-part critical analysis by the CBC (itself hardly a stranger to media concentration), and sporadic agitation in favour of laws to limit newspaper ownership. The knee-jerk reaction from some quarters was that Hollinger's investments represented a terrible development in

Canada; that Hollinger could be counted on to produce shoddy right-wing opinion pieces devoid of community content and of limited utility in fulfilling the important functions expected from the newspaper industry. It has certainly been a surprise to many of these critics that none of their dire predictions have proved to be true.

There is no doubt that the fears surrounding newspaper concentration are perfectly legitimate. An independent and vigorous press plays an important role in reporting the news and providing a critical commentary on matters of public interest, thereby helping to ensure the maintenance of a free and democratic society. As one leading jurist remarked over 50 years ago: "The widest possible dissemination of information from diverse and antagonistic sources is essential to the welfare of the public."

The philosophic underpinning for any reasonable discussion about newspaper concentration is therefore clear. But does it follow, so easily as some would contend, that newspaper concentration is antithetical to these principles? Or is there a basis for concluding that in today's congested media environment, newspaper concentration may in fact enhance the maintenance of a free and vigorous press?

In considering these issues, one must avoid a sentimental or wistful approach. The technological revolution is in full swing. Few people sit in easy chairs after dinner reading and discussing stories from their newspapers while children do their homework or read stories by the fireplace. Generally speaking, many Canadians awaken to the radio and may often watch some television before leaving for work. Some are able to read the newspaper and magazines while travelling to and from work or at some other time during the day. On returning home, it takes some patience to sort through the ever-increasing pile of advertising flyers jammed into the mail slot. During the evenings, many people watch television. Internet surfing has become an addiction.

In all of this, we are bombarded by advertising messages. At one time most of this advertising came via your newspapers. Today, only a small portion of it comes that way, yet advertising is the lifeblood of the newspaper; the survival of the industry depends upon it. If newspapers are to survive and flourish, they must maintain and enhance their share of advertising revenues.

Approximately 80 per cent of most newspaper revenue comes from advertising; only about 20 per cent is derived from circulation. When you purchase a newspaper, you are therefore paying only a fraction of the cost of that product. Advertisers have a myriad of choices and radio and television, magazines, ad-mail and other vehicles, including the Internet regularly vie for the same advertising dollars. Small-circulation newspapers have greater difficulty in obtaining national advertising revenues which are critical to the survival of the newspaper industry in Canada. Large newspaper chains are more attractive to advertisers. They offer a variety of services and can afford significant ad departments to plan and implement a strategy which gives the chain a fighting chance to attract significant advertising revenues. There is no doubt that small newspapers in particular have not been able to compete effectively in the highly competitive market for advertising.

Large newspaper groups can achieve economies of scale through newsprint purchases, technology cost-sharing and the more effective utilisation of staff resources. Achieving cost savings on newsprint is particularly important since newsprint prices are generally volatile, yet they are key to the profitability of the newspaper industry.

Some small newspapers or even larger family-owned proprietorships have also faced serious succession planning problems which in some cases have militated towards a sale of the business. Aging of the presses and a general reluctance to face substantial capital expansion for which financing may be problematic has also contributed towards the tendency to sell. An inability to deal with labour issues or productivity problems has also contributed to the disposal of some of these assets.

If the newspaper business for the past many decades had been a profitable one, few companies or families would have taken flight from it and many more entrepreneurs would have been attracted to it. It is an exciting and purposeful business, but its attraction has faded as incomes have eroded. The fact is that for too long, circulation has decreased. Over the past five years average daily circulation has decreased from 5.65 million newspapers a day in 1991 to 5.2 million in 1995. Over the same period advertising revenues have declined at a rate of about 2.9 per cent per annum. All of the hallmarks have therefore been present to support a general restructuring of the newspaper-publishing sector. Newspaper concentration in Canada has occurred for reasons which are entirely commercial.

Individuals and groups who are the most passionate concerning the issue of newspaper concentration generally do not marshal their arguments on the basis of the contemporary business and social reality. They approach this issue from an anti-business bias and with the unrealistic sentiment of another era, when multiple-owner newspapers were dominant and when newspapers were the primary source of news and commentary. They do not seem the least bit interested in the observation that circulations continue to erode, advertising dollars are going elsewhere and costs are generally escalating. Their arguments tend to be more theoretical and philosophical and are certainly very dated. Usually they anchor their submissions around two historic Canadian commissions concerning media concentration. Without apparently grasping the significance of the fact that the reports of these commissions have been ignored by the legislators, we continue to be told that the Davey and Kent reports constitute a prima facie demonstration of the institutionalised evil of newspaper concentration.

The Report of the Special Senate Committee on Mass Media, sometimes known as the Davey Report, was issued in 1971. While its terms of reference were "to consider and report upon the ownership and control of the major means of mass public communication in Canada," the senators who formed the Committee made no secret of their attitude as evidenced by their declaration at the outset of their Report that: "The purpose of this Committee was not to ascertain whether concentration of media ownership is a Good Thing or a Bad Thing. Of course it is a bad thing." But notwithstanding this candid admission of a preconceived bias, the Committee was able to see some of the virtues of what they called, in their report, "chain ownership." The following statement in their report is quite instructive:

> But suppose there are fewer and fewer owners: is this necessarily a bad thing? There is a lot of evidence to suggest exactly the opposite. Chain ownership has rescued more than one newspaper from extinction. Chain ownership has turned a number of weeklies into dailies. Chain ownership has financially strengthened some newspapers, so they're better able to serve their employees and communities. Chain ownership may in some cases have resulted in a decline in editorial quality; but there are also instances where chain ownership has upgraded it. In other words, there is simply no correlation between chain ownership and editorial performance.

Indeed, the senators went so far as to concur with the general thrust of the argument I am advancing here today. Toward the conclusion of their report they stated: "Indeed, our best hope for more daily newspapers seems to lie with chains; only corporations with access to large amounts of capital can be expected to sustain the high risks, and the long initial period of non-profitability." Even in 1971, when newspaper circulation was higher than it is today, concentration was recognised as inevitable and perhaps even essential to the life-blood of the newspaper industry.

One wonders why critics of newspaper concentration take so much comfort from this report. In 1971 the Internet did not exist, television was far less developed and newspapers were much more dominant and important across the country.

The well-known Kent Commission Report was less able to recognise the merits of newspaper concentration. Unlike the Senate report which preceded it, the Kent Report demonstrates little concern for the commercial aspects of newspaper publishing. Newspaper concentration was so great a preoccupation to this Commission that it went so far as to recommend the implementation of a Canada Newspaper Act to prohibit significant further concentration of newspaper ownership and, in some cases, to force divestiture of existing newspaper holdings. Little consideration was given to whether such legislation could be within the constitutional jurisdiction of Parliament and no apparent weight was given to the rights of current newspaper owners.

The most recent assault upon newspaper concentration dealt with Hollinger's acquisition of a controlling interest in Southam. Many of you will recall that last September, many months after Hollinger's announcement that it had acquired a large block of Southam stock held by Power Corporation, the Council of Canadians launched a Court proceeding against Hollinger and the Director of Investigation and Research under the Competition Act. The Council of Canadians took the position that the Director had an obligation, either under the Competition Act or by virtue of the Charter of Rights and Freedoms to consider future editorial diversity and that he should have refused an advanced ruling certificate on the basis that editorial diversity of Southam newspapers would suffer under Hollinger's control. The Council therefore sought an order setting aside the advanced ruling certificate.

While the Council of Canadians went on at great lengths about the rights of Canadians to the Council's notion of editorial diversity, at no time were Hollinger's rights to free speech and freedom of expression even apparently considered by the Council. So here we had a public advocacy group who were absolute strangers to a $300-million transaction trying to upset it on the argument that a government official should have the power to prevent a newspaper merger if he or she did not think they would like the anticipated content of the future merged newspaper company.

It is hard to understand how the Council of Canadians, which purports to represent democratic values, could support such a ludicrous legal concept. Its case did not get off the ground and was recently dismissed by the Court because the Council was not diligent in seeking judicial review on a timely basis and did not, in any event, have standing to attack the advanced ruling certificate. The Council may have felt it achieved some public interest advantage by bringing a newspaper concentration issue to the courts. Yet public support for legislative action has not coalesced and there is little evidence of a feeling that much has been lost by the Council of Canadians not being given the opportunity to attempt to savage a perfectly valid and legal commercial transaction.

Returning briefly to the Kent Commission, of course their startling recommendations were not implemented and the analysis in the Report is now quite dated. But there is one statement in the Report which was prescient and is germane to today's discussion. It is reminiscent of the sentiments expressed in the Davey Report. It reads as follows:

> Competition for the time and attention of newspaper readers and the dollars of newspaper advertisers is emerging in a number of forms: the extension of cable TV services to include pay TV; the growth of television received direct from satellites; increasing numbers of home video players using disc or tape; the spread of small computers into homes; and the development of videotex systems by television, telephone, or cable networks to provide print information on request on home television screens. All these forms of competition now are developing rapidly. Together, they clearly have the potential to affect newspapers, starting in the second half of this decade. The effect could become critical in the 1990s.

That effect has indeed become critical in the 1990s. It apparently accounts for the rationale adopted by Thomson Newspapers to sell large portions of their newspaper enterprise in order to pursue information technology on a large, and apparently, very profitable scale. Fear of the future and the high costs of publishing no doubt were major considerations which motivated the Sifton family to sell their Saskatchewan newspapers to Hollinger. A similar phenomenon must have precipitated the recent sale of the London Free Press. And in our company's acquisition of Southam we witnessed yet another large company—Power Corporation—with an historical interest in the newspaper business deciding to liquidate its investment and re-deploy the proceeds in what appeared to them to be more profitable ventures. Single owners in St. Catharines, Kingston and many other important communities have also decided, in the last decade, to exit the newspaper business.

It is true that as a result, Hollinger has become a very substantial newspaper owner in Canada. A great deal of controversy has attended this development. But can you name any other company so interested in and focused on newspaper publishing? As the stock market value of Southam dropped like a stone, I doubt that many of you rushed out to buy it. I don't say that as a criticism; but the general lack of interest in newspaper stocks does reflect the sentiment that this is not exactly a growth industry. Do you suppose Thomson Newspapers would have sold so many newspapers to us if other energetic bidders were available?

Let me assure you that Hollinger did not make these very large investments with a view to shutting down newspapers or destroying their quality and thereby destroying our markets. Hollinger made these investments in the hope that through efficient management and improvements in editorial quality it can secure similar success as has been achieved in the United Kingdom, the United States, Israel and Australia and which, to the surprise of many is already very evident in Ottawa, Montreal, Hamilton, Calgary and Vancouver and in many of our other Canadian publications.

Eleven years ago Hollinger acquired control of London's Daily Telegraph newspaper. At that time its presses were virtually antiques, the newspaper had lost much of its market share and was all but bankrupt. Today a world-class printing facility produces over 1,100,000 copies per day of one of the world's truly great broadsheets. A few months ago, and for the second time in three years The Daily Telegraph was named the United Kingdom Newspaper of the Year by the Press Association in recognition of its professional and competitive achievements. The same story was repeated in Australia where the bankrupt Fairfax newspaper company was restored, by Hollinger's initiative, to its previous glory and profitability. Similar success has occurred at the Jerusalem Post and will shortly be even more evident at the Chicago Sun-Times where new presses are about to be installed. Hollinger's community newspapers group in the United States repeatedly wins important journalism awards and is a major contributor to the company's success. There is no reason why parallel results cannot be achieved in Canada.

Nowhere would we be more pleased to see similar progress than in Canada. Our company's controlling interest in Southam and our ownership of numerous other Canadian newspapers carries with it great responsibility but also presents an exciting opportunity. Southam is the pre-eminent daily newspaper in 33 major Canadian markets including Vancouver, Montreal, Ottawa, Edmonton, Calgary, Hamilton and Windsor. Over the past few decades these important franchises have languished somewhat, mainly due to the fact that they generally have produced less than exciting and stimulating editorial products. As our Chairman stated in one of our recent annual reports: "It will be a laborious task and is far from a sure thing, but we believe that managed efficiently, edited imaginatively, written professionally and backed by intelligent technological applications, the newspaper, and especially the Southam newspapers can flourish."

One of the leading examples of our attempt to rekindle the spirit of newspaper professionalism is in Southam's total revamping and re-launch of the Ottawa Citizen. Mr. Black has repeatedly stated that the former Ottawa Citizen was something of an embarrassment; our nation's capital must have a newspaper worthy of its city and its country. The transformation has been huge, the editorial product is immensely improved and the response to date has been overwhelming. Southam has been besieged with journalists who want to take part in this venture. Readers are responding and circulation is surging. Prior to the relaunch readers complained that the Citizen was too "thin"; there simply was not a consistent and substantial editorial product. The major observation today is that the paper is quite substantial, the in-depth analyses are very long and there is too much to read combined with a fear that something will be lost if it is not read in its entirety.

Surely this is the formula for a successful newspaper: one that carefully distinguishes news from commentary, that includes a separate section for national and international news and commentary together with a section for community news replete with interesting and lively articles, opinion pieces and editorial comment. In short, a newspaper which, for a variety of reasons, people want to read. If someone as eminent as Robert Fulford can speak positively about this newspaper, we know we are on the right track.

Re-energised and recently redesigned, the Montreal Gazette is now playing a very important role in the Quebec issue in a manner never before imagined. An expanded community section, an enlarged business report and a larger letters-to-the-editor section are among the many improvements to that newspaper. After an absence of many decades from newspaper publishing, Mordecai Richler has become a regular contributor to the Gazette's new Sunday magazine.

I must also add, in relation to Quebec politics, that it is a matter of great pride and satisfaction to us that it was our Quebec City newspaper, Le Soleil, which exposed Jacques Parizeau's referendum treachery through Michael Vastel's electrifying story published on May 7. His report caught fire immediately. It transformed the election campaign and caused Messrs. Bouchard and Duceppe to bumble and then run for cover while the unbelievable Mr. Parizeau, suitably exposed, eventually issued a bombastic denial which only served to confirm Mr. Vastel's original indictment. This is the kind of reporting which we applaud and of which we expect you will see more in Hollinger newspapers.

The Vancouver Sun, Calgary Herald and Hamilton Spectator are following the example set by the Ottawa Citizen and the Montreal Gazette. Emphasis is being placed on the quality and depth of journalism and each newspaper is re-focusing upon its role in its community.

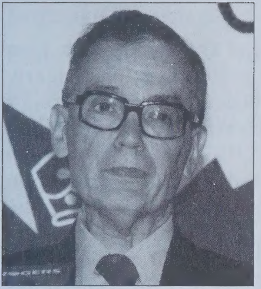
Additional journalists are being hired, circulations are improving and there is a basis for optimism about the future of newspaper publishing in Canada.

The success of the make-over of the Ottawa Citizen, the Montreal Gazette and the many other changes throughout the system has demonstrated that in Canada, as elsewhere, there is a great appetite for lively, informative, diverse and well-written newspapers. These developments have been exciting for all Southam employees; we hope it leads to a much greater desire on the part of Canadian journalists to produce truly first-class products, in every respect. We expect it will also cause our competitors to improve their editorial products and that a new level of competition will ensue, to the benefit of all Canadian newspaper readers.

One cannot expect the Globe and Mail to ignore these developments since we compete with it in virtually every major market in Canada, except Toronto. The Globe will have to re-assess its editorial product or face the potential loss of market share in Ottawa and elsewhere. Sun Media also must reconsider its position since we compete aggressively with it in many major Canadian cities. Our re-emphasis on community news cannot be a welcome development for the Sun chain.

In the final analysis, the Council of Canadians and other Hollinger critics should relax and try to be more objective and realistic about newspaper publishing in general and about Hollinger in particular. Newspaper publishing is a business. In order to improve the results of the business, revenues must increase; there is a limit to what can be achieved through cost-cutting. To increase revenues we will have to improve our newspapers. If we do that, circulation will increase and, more importantly, we will become more attractive to advertisers. We have already started that process and have every intention of continuing it. Over time, Canadians will see a real improvement. As Conrad Black stated during his address to the Metropolitan Toronto Board of Trade several months ago: "We have pledged to improve the quality of the daily written press in this country and we will redeem that pledge."

The appreciation of the meeting was expressed by Gareth S. Seltzer, President, The Empire Club of Canada and Vice-President, Private Wealth Management, Guardian Capital Advisors.



May 22, 1997

Dr. Bernard J. Shapiro

Principal and Vice-Chancellor, McGill University

ACTING ON CONVICTION: UNIVERSITIES AT CENTRE STAGE

Chairman: **Gareth S. Seltzer**
President, The Empire Club of Canada

Head Table Guests

Douglas Todgham, Vice-President, The Canadian Institute for Advanced Research and Second Vice-President, The Empire Club of Canada; Grace Iyirhiaro, OAC Student, Monarch Park Collegiate Institute; Bob Milne, Group Vice-President, Corporate Markets, Bell Canada; John Bankes, Managing Director, Artemis Management Group, Vice-Chairman, York University and a Past President, The Empire Club of Canada; Clara Will, Executive Director, Adventure Place; Dr. Claude Lajeunesse, President, Ryerson Polytechnic University; Veronica Lacey, Deputy Minister of Education, Ontario Government; Marnie McGarry, Director of Development, Adventure Place and a Director, The Empire Club of Canada; The Rev. Greg Kerr-Wilson, Rector, Holy Family Anglican Church; Russell R. Merifield, Q.C., Past President, McGill Society, Toronto; Dr. Susan Mann, President, York University; Louis Ducios, Head of Quebec Government Office; and John Cleghorn, Chairman and CEO, Royal Bank of Canada.

Introduction by Gareth Seltzer

As I gradually get my feet wet as President of The Empire Club, I am amazed at the vast number of dynamic individuals, particularly Canadians, who not only illustrate excellence in service to one's community, but who also come from a varied background and upbringing.

We are honoured to have as our guest today Dr. Bernard Shapiro to tell us about McGill University, the diverse character of the school, and the challenges that lie ahead. McGill is the oldest of the four Montreal universities. Founded in 1821, McGill celebrated its 175th anniversary in 1996. I should point out that Dr. Shapiro has not been with McGill since inception—only since 1994.

McGill has over 30,000 students enrolled in 12 faculties and the Centre for Continuing Education. An English-language institution in predominately French-speaking Quebec, McGill offers courses in more than 30 languages. In fact, there are over 120 countries represented in the student body and the faculty. Perhaps the culture of the university is best illustrated in the coat of arms of McGill. The top of the shield is an open book, the symbol of an institution of learning. The silver crowns on either side of the book refer to Montreal's royal name and the inclusion of the fleur-de-lys is a reminder of the city's French origin.

Dr. Shapiro's responsibilities cover a downtown campus of more than 70 buildings covering approximately 32 hectares of land. The Macdonald campus occupies 640 hectares on the western tip of Montreal island and includes a cattle complex, a state-of-the-art computer-controlled greenhouse, a research farm, orchards, and the Morgan Arboretum.

How does Dr. Shapiro tackle such a daunting task? Is it a result of his years as Deputy Minister of Education for Ontario, or Deputy Minister of Skills Development, Ontario, or his service as Secretary to the Management Board, Ontario, his service as Dean of the Faculty of Education at the University of Western Ontario, or his service in so many professional and academic offices? What I found out from a colleague of mine is that it actually is a result of the Shapiro family breeding techniques. It turns out the Shapiro family is geared to producing hybrid academic overachievers, Dr. Shapiro's brother Harold being the President of Princeton University, which is celebrating its 250th anniversary this year.

Sir, it is a pleasure to have someone so distinguished with us today, and I am delighted that you are bringing the issues of public policy and development to our centre stage. Dr. Shapiro.

Bernard Shapiro

I am from Quebec, but I am not here to talk about language, head office locations, real estate values or, despite the hurly-burly and obvious importance of the current election campaign, politics and our constitutional arrangements.

I am, however, from Montreal, the most stimulating university environment in Canada and I am here to talk about Canadian universities. The particular title of my talk today, "Acting on Conviction: Universities at Centre Stage," is deliberately chosen although I will approach my topic in reverse order, beginning with Universities at Centre Stage and going on to Acting on Conviction, outlining from my point of view some of what we (both universities and the wider society) must do if the best of our future, whether within academia or within the broader society, is to be realised.

One of the most surprising features of universities, as we reach the end of the twentieth century, is that they have become centre stage. It would never have occurred to most of my 15 predecessors at McGill University that universities would be the central, almost defining features of our society that they have become. That they have become centre stage is a reflection of a number of factors, primary amongst which are two. First, there is the extent to which knowledge and therefore the discovery of new knowledge, the dissemination of knowledge and the development of knowledge workers have become critical factors in economic production. We all recognise that an educated adaptable work force will be the key to success in an information age shaped by technology and global rivalry. Second, we must recognise that for many citizens the real function of the university, while related in some way both to cultural inheritance and the development of new knowledge, is primarily a kind of vocational sieve through which pass those to whom society will allocate the better-paying jobs. Before the late twentieth century, a university degree was not by and large how one got on in life. Now the universities function, in fact if not always in intention, as a kind of social mobility ladder, a place where the cultural capital acquired has, whatever its intrinsic worth, real cash value in the marketplace. Therefore, it is not surprising that in our society where social mobility is increasingly seen as a right of fully expressed citizenship, there will continue to be a growing demand for access to these institutions, or at least—in what will surely become a "flight to quality"—to those of them who offer the likelihood of this outcome.

Thus, universities, for the first time in their long history, have become not only central to public policy but also central instruments of public policy. It is, therefore, all the more important for us to remember that universities, their curricula, their scholarly and other programmes are all, whatever the source of their funding (i.e., whether a public university funded primarily by highly subsidised tuition fees or a private university funded to no small extent by public tax expenditures and public support for research and student assistance) designed to serve some civic purpose. Teaching and research are a public trust. It is the civic purposes served by universities that provide the only foundation for their social legitimacy.

For those of us within academia, civic purpose at centre stage is not as simple nor as straightforward as it might have been when we were at the margin. Now, we must not only focus on but welcome the rules of engagement between ourselves and the broader community on whose support we all depend. Scholarship is not a private pursuit but a public trust, and further, not only is service a societal obligation but teaching is a moral vocation whose end is not just knowledge of technical competence but also of character and will.

If ever the monastic cloister or the ivory tower were an appropriate model for university life, it cannot now be the case. It is now not only inevitable but desirable that universities be drawn into the debates about the relationship of our programmes and commitments to the changing needs of society. It is equally important that these debates focus on real issues of purpose and content rather than what have proved to be the arid and unreal issues of faculty tenure, staff job security, sabbatical leave policies, etc. In any case, we cannot and should not avoid such discussions. In particular, we cannot view such a dialogue as undermining our traditions. Rather it is only through such dialogue that our most important values can be reinforced. We must be prepared not only to teach, to discover and to publish in ever more highly specialised learned journals but also to be public advocates for the research enterprise and to engage more actively in both its public explanation and its application. Scholarship is not to be understood as completed when it is published, exhibited or performed for other agencies, other enterprises, and the wider public must become much more active partners in what we within academia regard as a great enterprise.

The importance of this understanding cannot be overestimated and it is not simply a question of resources. Thus, the only long-term value of the recent federal initiative to assist in the restoration of Canada's and the universities' research infrastructures will be in the higher levels of trust that can be built up between Canada's universities and their private-sector partners.

We must, of course, also be prepared to face our own shortcomings. Although the capacity of Canada's universities to re-imagine and re-invent themselves over time is in itself quite stunning (nothing else would account for our survival), there are areas in which a very great deal remains to be done.

It is only fair to add that the dialogue to which I have been referring needs to be understood as a two-way street, for among the civic purposes of the university is the need to act as a social critic. We must be able to hold up a mirror of society to itself in such a way as to make clear not only the gap that continues to exist between our society's rhetoric of its soaring objectives and the less impressive reality of its actual achievements, but also the inadequacy of the objectives themselves as compared to the alternatives that may be considered. I am convinced, and I must therefore act on the conviction that it is the university's obligation to engage with the wider community, to refrain from regarding our colleagues interested in public policy as simply those who are not serious about scholarship while still maintaining to a larger degree than is currently the case an anti-establishment mentality—not easy to do when occupying centre stage. I am also convinced that it is your obligation to tolerate and even welcome the discomfort that we all experience when even your most sacred ox is gored.

We, of course, must be prepared for the same, for we within the universities have our own, to mix the genders, sacred cows. As Thomas Sowell has pointed out: "Educators … have proclaimed their dedication to freedom of ideas … while turning educational institutions (even sometimes within that most cherished of our processes, i.e., peer-review of research) into bastions of dogma."

Teaching is, of course, another civic purpose of the universities, and some, although I am not myself among this group, would see it almost as the civic purpose of our universities. Whatever your own position on this question, I am convinced that the quality of the encounter of our undergraduate students with the university is crucial, not only for them as individuals but for both the universities themselves and our society at large.

In this regard, there has never been any widespread agreement on just what constitutes the most appropriate undergraduate curriculum so that the programmes are, naturally enough, always under challenge and under review. Generally speaking, it is worth nothing that, while vastly improved over previous eras, undergraduate education has not improved as quickly or responded as successfully to society's needs as have faculty efforts in research. Undergraduate education is in need of substantial improvement, and it is necessary for all faculty to renew and/or expand their efforts in this area but it must be kept in mind that the very real achievements of undergraduate education are often obscured by:

- The need for advanced education rising more rapidly than our institutions' capacity to respond;
- The fact that being better than ever does not mean being good enough; and
- A curriculum that reflects the disciplinary and scholarly organisation of the faculty rather than the independent imperatives of a successful undergraduate programme.

This, especially the latter consideration, has led to an increasingly inappropriate hyper-specialisation in undergraduate programmes, thus making a mockery of our own rhetoric and professed values with regard to the integrity of the learner's life and his/her lived experience.

If we are now to truly act on our convictions about the importance of the undergraduate experience, we must reaffirm the value of teaching as a moral vocation, one that is a true calling and not just a means of earning a living that allows us to do research. As such, both the content and the method of teaching should attract our attention and our concern a great deal more than it usually does. Many changes might be worth introducing but I would like to cite three that seem crucial to me.

First, we will need to conceive undergraduate programmes not to cover more fields but more of the interfaces between the academic disciplines where so many of the interesting questions arise and where the real challenge of uncertainty exists.

Second, we must also begin to represent the understandings of student groups newly represented in the university community. The attempt to create in Canada a truly multicultural society, indeed the decision by Canada to replace the old national myth of the British Imperial connection with the new national myth of multiculturalism, has its consequences and these must be faced.

Third, I am entirely convinced by Frank Rhodes' argument that most universities must recapture their own curricula, for in many cases these curricula have escaped from the faculty-at-large (to whom it really belongs) and have fallen into the hands of individual faculty members. As a result our students have courses but do they have programmes? That is, do we have models of study that will bring real coherence, not just professional competence but what Professor Langer has referred to as "mindful learning" so critical to the thinking citizen, to the undergraduate experience? Moreover, will we within these programmes exemplify the same creative energy in teaching as we give a great deal more naturally to research? Sometimes of course we do; it is just not often enough.

Others, in thinking about the undergraduate curriculum, focus on the potential transformation of higher education as a result of the development of the new technologies, i.e., the development of a much wider range of software-integrated environments using broadband communication networks. I have a positive but cautious conviction in this area, if only because cyberspace can easily become an inappropriate return to the monastic cloister and ivory tower and, as Jacob Viner once put it:

"There is no limit to the amount of nonsense one can produce if you think too long alone."

Nevertheless, substantial change will occur if only because the new technologies separate, so much more radically than in the past, student learning from the need to be in a specific physical place. Moreover the very democratisation introduced by rapid and effective forms of electronic communication will, in the not too distant future, confront universities with competitive challenges from other knowledge-based enterprises. Why should the universities retain a relative monopoly on libraries and laboratory space, to say nothing of degree granting? Within academia we will have to find ways of attracting and retaining not only students but also the most sophisticated knowledge workers (i.e., those who should constitute our faculty) for those whom we will most want will also be those who will be most in demand by others.

I have another conviction and that is that above all else the university must stand as a quality enterprise. The issues to which I have been referring to up until now (the issues of civic purpose, of social criticism, of scholarship and of teaching) have been intellectual and academic issues. The challenge for Canadian universities is not simply the question of sustaining academic quality—intellectual solvency so to speak. The real challenge is how we are to sustain intellectual and fiscal solvency at the same time.

Mass education, and we have entered the era of mass education at the university level, is expensive. It puts a great deal of pressure on other people's resources. In most developed countries unit costs in both teaching and research (even when adjusted for inflation, student numbers and range of services) have risen and are rising substantially. In this area, it is easy to overlook what I regard as the miracle of Canadian university development in the last half century, i.e., since the end of the Second World War. Not only have our universities been able to expand their student bodies and repertoire of programmes, but the contribution that Canada is making to the development of new knowledge universally is far greater than we have had any right to expect given the limited resources that have been available for its accomplishment.

What do I do mean by limited resources? Despite the billions that are being invested in Canadian universities, most Canadians do not realise that it has all been done, relatively speaking, on the cheap, that is at less cost/student than has been true for other OECD jurisdictions. The future, however, is very threatening, for in addition to the increasing free trade of goods across national borders, there is now an increasing free trade not only in knowledge but also in knowledge workers. If Canadian universities are not able to participate in this market, we will have provided Canadian students with access to institutions whose quality will not be sufficient to enable our students to compete in the environment in which they will, nevertheless, have to live.

If Canada and Canadian universities are going to effectively participate in the knowledge-intensive and globalised economy of the future, we will have to change. Where, for example, is the Canadian province that is ready to insist that its universities do no less than double their enrolment of international students, no matter what the level of public subsidy? Even more importantly, we will have to find the resources which will enable our universities to attract and retain the faculty that will be necessary if adequate teaching and research programmes are to be made available to our students.

They cannot do so now, for although we appear academically solvent, this objective has been attained by using up accumulated capital reserves rather than by renewing the sources of our talent. More and more, Canadian universities must hope that their present staff will both live and work more or less into the indefinite future, for the institutions simply do not have the resources to replace them at the prices that such highly developed talent can command. I am convinced that given the currently foreseeable range and ordering of government priorities, unless we can succeed in developing a radically different funding model, one far less dependent on government subsidy, university education in Canada may well be facing a long-run situation in which the overall growth in revenues will be lower than would be necessary to maintain, let alone enhance, the quality of the current system.

There is a widening gap between the mission set for Canada's universities and the resources available for fulfilling that mission, and Canadians should not delude themselves into thinking that we can have it both ways for long.

Facing these central issues of cost will not be easy, and universities will have to face the imperatives of increasing productivity, not to do more good things but so as to reduce unit costs, and considering a much wider range of pedagogues and new ideas regarding the structure of university-based programmes.

This will not, however, be sufficient. Quality and competitiveness cannot be sustained by simply reducing costs. If we are to act on the conviction of quality (the middle of the pack is no place for us to be), we will have to find ways of increasing revenue, whether through student tuition, contract research, sale of services, more elaborate philanthropy, etc. Even this will not be enough, The quality of our university institutions will also require the most un-Canadian of public policies, and that is differentiation.

I am convinced that whatever our rhetoric to the contrary, mass higher education systems are best served when there is marked differentiation not only among different types of institutions, as, for example, among polytechnics and universities, institutions and workplace programmes, or community colleges and universities, but also amongst institutions, all of which carry the same generic name. It is clear in both the popular and the academic mind that not all baccalaureate degrees are, or should be, the same and that not all baccalaureate institutions are, or should be, equivalent to each other. In addition, as long as access between institutions and institutional and programme types is not only possible in theory but feasible (if not necessarily easy) in practice, this kind of stratification is entirely appropriate to the heterogeneous systems that we have all become. For one thing, it allows an increasing variety of responses that can better match the increasing variety of both needs and objectives of faculty and students. Further, given the demand for greater accountability, differing programmes and differing institutional missions offer societies a much more finely tuned range of options. Moreover, such differentiation is economically efficient. It does a disservice to everyone to argue that all meaningful higher education requires the kind of wealth and support needed for the relatively small number of great research universities which combine the generation of new knowledge with both liberal and professional education. Differentiation must, therefore, not merely be legitimised. It, as well as a new set of institutional and cultural status arrangements, must be taken up as a matter of deliberate public policy.

Developing convictions is not difficult. Actually acting on them requires a great deal more in terms not only of your own commitment but also of your willingness and capacity to convince and co-opt many others.

There is, of course, a great deal at stake. As Sir Winston Churchill once said: “The empires of the future are the empires of the mind.”

For us to sustain the quality of the encounter in the process of teaching and research, we must find ways to engage not only the minds but also the hearts and imaginations of our fellow citizens. The definitions of value and of quality are at least partly an affair of the heart. We must continue to seek value and quality, both intellectual and fiscal solvency, but we must do so with passion and compassion, as well as with a compelling vision that inspires us not only to do our best work but also to connect with one another inside our institutions, between our institutions and with our fellow citizens. After all, as a wonderful classroom poster once put it: "This is a magic place; we are creating the future."

The appreciation of the meeting was expressed by Marnie McGarry, Director of Development, Adventure Place and a Director, The Empire Club of Canada.

May 29, 1997

Preston Manning

Leader, Reform Party of Canada

TAKE BACK YOUR SEAT

Chairman: **Gareth S. Seltzer**
President, The Empire Club of Canada

Head Table Guests

The Rev. Kim Beard, Rector, Christ Church, Brampton and a Director, The Empire Club of Canada; Catherine McLean, recent graduate, McMaster University; Dick Robarts, Executive Councillor, Ontario Reform Party of Canada; Douglas L. Derry, Partner, Price Waterhouse, Chairman, The Empire Club Foundation and a Past President, The Empire Club of Canada; Sandra Manning, wife of our guest speaker; Fredrik S. Eaton, Chairman, Eaton Group of Companies; William J. McCormack, former Chief, Metropolitan Toronto Police Service and a Director, The Empire Club of Canada; Reid McKiee, Managing Partner, FACTS; Grant McCutcheon, Partner, Lawrence & Company Inc., private investment firm; J.J. Woolverton, Managing Director and COO, Guardian Capital Inc.; and Dan McCaw, President and CEO, William M. Mercer Limited.

Introduction by Gareth Seltzer

Ladies and gentlemen, The Empire Club is a formal forum for the discussion of current topics by leading speakers. Free speech in such a forum follows the Club's constitutional purpose of being in "the best interest of Canada and the Commonwealth." I say this because it is important to acknowledge that each of the federal leadership candidates were offered an opportunity to address The Empire Club of Canada—as has been the tradition of the Club since 1903. Keeping in mind that the federal leader of the Progressive Conservatives, Jean Charest, addressed this Club on April 10, 1997, just prior to the election call, Mr. Manning is the only federal candidate who chose to do so during the election period. I would suggest that as you address our forum today, Mr. Manning, you will be addressing a motivated audience, anxious to hear what you would bring to the political table as Prime Minister.

Mr. Manning and the Reform Party of Canada have frequently led the debate in Canada on issues of national unity and our overwhelming $600-billion federal debt.

On the issues of fiscal responsibility, I am reminded of how John Gage put it: "I can't understand why people are frightened of new ideas. I'm frightened of the old ones." While our government has had the benefit of low interest rates, four of the G-7 countries have lower rates, 64 per cent of the deficit reduction has come from increased revenue from corporate taxes, and our three largest trading partners each have significantly lower levels of unemployment than Canada.

Since the establishment of the Reform Party, and as Leader of the Founding Assembly since 1987, Mr. Manning has taken the message that we must not endorse the status quo, nor renew it, but redefine it. Mr. Manning has rallied Canadians with this message and his proposals to protect the rights of victims and families to bring a new accountability to government, and has done so with such vigour and sometimes in the face of much criticism, that I cannot help but be impressed with his skin. It must be quite thick. I firmly believe that pushing ahead with new ideas, refreshing fiscal initiatives and a renewed sense of political participation is what our democracy is all about. According to the very articulate Dan Quale: "If we do not succeed, then we run the risk of failure." Mr. Manning is asking us to assemble a team to succeed—to give us, as Reform calls it, A Fresh Start. In the tradition of The Empire Club of Canada to promote the interests of Canada, I ask that you join me in welcoming Mr. Manning today to address your Club on these important current issues for Canada.

Preston Manning

Thank you for your warm welcome.

I want to thank you for the forum that the Empire Club provides. The first time you gave me an opportunity to speak here the Reform Party was relatively unknown in Ontario. I appreciate and remember the opportunity the Empire Club gave me. I am also pleased to be a part of this distinguished gathering.

I thought the Editor and Chief of the Globe and Mail was going to be here. I have a little bone to pick with the Globe. The Globe was founded by George Brown, a great Reformer in the pre-Confederation days, so I was a little surprised to see the endorsement of the federal Tories on its editorial page. I can counter that today by announcing that the Napanee Beaver has endorsed the Reform Party. On June 2, we'll have to see whether it's the Napanee Beaver or the Globe and Mail that has its finger on the pulse of Ontario voters.

Today I have with me a piece of furniture that I'm taking along on the last week of the federal election campaign. It is a seat from the Parliament of Canada. There are 301 of these seats in the Parliament of Canada. There is one of these seats for every electoral district in Canada; one for the district in which you live and work and raise your family.

I want to use this seat to focus your attention on what this election is about; mainly three important questions:

- What should be done and said on laws and debates in Parliament from this seat in your name?
- To whom does this seat really belong?
- Who should occupy this seat on your behalf after June 2?

The actual seats in Parliament have a microphone with a light on it, and the light goes on when an MP is addressing the Parliament of Canada. Some of us would like it if the light went on in the members' heads, not just on the desk.

Each of these desks has a lid on it. Certain items in the desk tell you about the people who occupy it. I see that this one has been stocked with a whisky bottle, a geritol bottle and an oxygen mask. Perhaps it came from the Senate. I see there is also a book in here called "On the Take" about Brian Mulroney. It says on the inside cover: "To Jean Charest from Dad."

What should be said and done from behind this seat after June 2 with respect to the future of the Canadian economy, and the federal government's role in ensuring a better economic future?

If you want to do something about the economy and jobs, then the Reform Party and our candidates offer you a concrete plan.

First, we will balance the federal budget by 1998/99 through spending reductions, not tax increases, and then run surpluses. If the federal government had implemented the Reform proposals in 1993, I could have come before you today and said: "The federal government is in a surplus position. I'm here to talk to you about what we propose to do with it."

We propose to use the surpluses in three ways:

1. Start the retirement of the $600-billion debt;
2. Re-invest $4 billion per year in health and education; and
3. Put the rest into broad-based tax relief for all Canadians.

Our seven proposals for tax relief are detailed in Reform's Fresh Start Platform. They deliver about $2,000 in tax relief to the average family of four by the year 2000, and take about 1.2 million lower- and middle-income Canadians off the federal tax rolls altogether. Our tax-relief measures also cut payroll taxes, including employment insurance, by 28 per cent and capital gains taxes by 50 per cent. Our philosophy is that a dollar left in your pocket—in the pocket of a consumer to spend or invest in a business—is more productive in terms of job creation than that dollar in the hands of a federal bureaucrat.

Only Reformers sitting behind these desks in the House of Commons will articulate this plan. If this seat is occupied by traditional parties, this is what they will say and do. The Liberals and NDP believe that big government and big spending is the engine of the economy. And if they do get close to a balanced budget, they will start spending again. The federal Tories offer tax relief and a balanced budget. But they had nine years to deliver a balanced budget and did not do so. They had nine years to offer tax relief, but in fact delivered 71 tax increases, including the 3-per-cent and 5-per-cent surtaxes, and the hated GST.

These are your options. If you believe that Reform's Fresh Start should be the dominant fiscal plan for the next Parliament of Canada, ensure there is a Reformer standing and speaking and voting on your behalf from behind this desk on June 2.

What should be said and done from this seat that will unite our country for the 21st century? What should be said and done from this seat—not just to keep the country together through the next referendum—but to unite the country for the 21st century, in a way it has never been united before?

We need something better from the federalists than what we have received in the past. The traditional parties defend the status quo. They do not have a plan for fundamentally changing the federation in response to some of the strains we are facing, and as a result, they came within 50,000 votes of losing the country. It is Reform's view that you can't fight a dream with just the status quo. You need to fight a dream—in this case the separatist dream—with a better dream, and you need to define that dream in concrete terms.

The traditional parties are also reluctant to tell the truth to Quebeckers about the consequences of secession. When we first arrived in Ottawa, Reformers noticed that Members were not singing "O' Canada" in the House of Commons. Deborah Grey introduced a motion to have "O' Canada" sung in the House of Commons but we were denied unanimous consent—not by the Bloc, but by the Liberals who feared it might offend the separatists and said it had to be studied by the Committee.

There have to be some truth and realities communicated to Quebeckers about secession. But the traditional parties have no substantive plan to reform the federation and are reluctant to face the issues that secession brings up in the hope of deterring people from pursuing that option.

The only thing the traditional parties offer to the unity crisis is the recognition of Quebec as a Distinct Society in the Constitution. Not only was the concept rejected by Quebeckers and by the rest of Canada in the Charlottetown referendum, the problem with it is this: Distinct Society is unacceptable to Quebec unless it confers powers on the Quebec government. Distinct Society is unacceptable to the rest of the country if it confers powers on the Quebec government. Distinct Society is a dividing rather than uniting concept.

Reformers believe we need something more, something better than the status quo. No matter where you came from politically, surely we can persuade you that we need something better to unite the country than what has been offered by old-line federalists to date.

This issue of uniting our country is not just a legal and constitutional matter. This is the country we all love, and it's important to express that love in ways that we haven't done before. There has to be an emotional dimension to this issue as well.

Sandra and I have been married for 30 years. We were married in 1967—the Centennial year. Like many couples who have been married for a while, sometimes Sandra says to me: "Do you still love me?" And I say: "Of course I still love you." And she says: "Well then, why don't you say so? " And then we do say the words, but we're also reminded that it is important to go beyond that. Some of the old love songs say: “Don’t just say you love me, show me.”

This conversation has to start happening in the country. As Canadians, we have a reluctance to express our affection for our country, but we are going to have to find ways of doing that. More importantly, we are going to have to come up with concrete ways of expressing the fact that we want to renew and make this relationship among Canadians better for the 21st century.

Reformers believe we need to come up with a plan that unites the country, that re-invigorates and reforms a federation that is so attractive that no one would want to leave Canada. We need to offer something concrete that will result in a better country and a better relationship among ourselves for the future—a commitment and actions, not just words and emotion.

Reformers have been working toward a positive plan that bases the relationship between the federal government, the provinces and Canadians for the 21st century not on the principle of special status for some, but on the grand principle of equality of the citizens and provinces regardless of race, culture, language or personal characteristics.

First we want to focus the federal government on 10 major areas of national and international responsibility—make it a national government that can look outward onto the world. Let’s focus that government on the big things like defence, external affairs, national standards, criminal code—things that most Canadians agree that they want a strong federal government to do. Our preference is that we have a federal government that does 10 things well, rather than a federal government that tries to do too many things and doesn’t do any of them very well.

How will Reform handle the diversity of the country? We’ll offer to each of the provinces a bundle of rights—jurisdiction over natural resources, social services, language and culture. Each province receives the same bundle of rights and may use it as it wishes. This respects the principle of equality of provinces. Quebec will do something with its bundle, particularly jurisdiction over language and culture. Alberta will do something different with its bundle. Ontario will do something different again. That's okay. That is the genius of the federation. It is how you reconcile unity and diversity based on the principle of equality of citizens and provinces.

Sandra and I have five children, aged 17 to 29. The oldest are at that stage where they are getting out of their apartments and into their own homes. Our second daughter Avril, and her husband John want a new home, but can't afford to build a big new house. Nor do they want to. They like old houses because they have more character and tradition. So they found an old house on a foundation that is so shaky the owners had to sell it. It was a great foundation in its day, but now the foundation won't hold the house up anymore. So they are going to move this wonderful old house onto a new foundation.

This is what Reform believes Canada has to do for the 21st century.

We have this national house—the old Colony of Canada built on the foundation of two founding races and cultures, the English and French. It made a lot of sense in the 19th century and it's endured right into the 20th century. It was one of the building blocks of our country and is an important part of our history. The only problem with this concept is that it is not sufficient to support our national house today, nor will it be in the 21st century. If you go to Atlantic Canada, or to downtown Vancouver and you say: "This country is a meeting of two founding cultures and languages," it just doesn't describe reality. In the 21st century, over half our population is going to be of neither French nor English extraction.

We have this magnificent house called Canada. Generations of Canadians invested their lives into building this house. No one wants to tear it down and build a new one. Reform says: "Let's take this old house, for which there is a great deal of affection across the country—and lovingly and gently lift it onto this new foundation of equality of citizens and provinces."

And in this house there will be a room for Quebec, and a room for Ontario, and Alberta, and each of the provinces. They can do what they want in their rooms; they can decorate it the way they wish. But we are going to have some things in common, including a common foundation, a common roof and a common security system.

And it is not just a house. It is people who make a house a home. We're not just room-mates, but a family sharing a home. We will care for each other and share things—tragedies as well as triumphs. We will support each other and grow and develop in our different ways. We will celebrate our diversity. And yes, we are going to have disagreements.

Sandra and I have five children. When our boys were younger we bought them boxing gloves to minimise the damage when they had disagreements. It was one thing for those kids to take pokes at each other, but when someone from outside ever took a poke at them, they all faced out and took care of each other—just as Canadians should face the world together.

This is the Reform approach to uniting our country, to preserve and enrich our magnificent national home for the 21st century by moving it onto the new foundation of equality. Is this not a better approach to unifying Canada than empty rhetoric, denial, or distinct society?

This is not just a discussion, but a political task facing federalists who have something more to offer than just the status quo in the next Parliament. We are looking for people to support it and to vote for MPs who will stand behind this desk, advocate and vote for this concept and present it to Canadians in all parts of the country.

Now before this dream of moving our wonderful old home onto a new foundation can happen, there will have to be some discussions around the family table. I want to be at that table with support from Western Canada, Atlantic Canada, Ontario and discontented federalists from Quebec who are looking for a third way—something beyond separation, beyond the status quo. I spent 10 years developing a party committed to this concept of equality, and I honestly think we have something to bring to the table. I think it needs to be represented and it isn't represented at discussions on national unity now to any degree.

We have been getting a lot of support from the West for 10 years for our approach to unity. We would like to be joined by Canadians from all parts of the country who will add a different perspective to how we can move this wonderful old house onto this new foundation, while respecting our traditions and past.

Ontario is looked at like the elder sister of Confederation. You were there at the beginning. (The province I come from is like one of the younger kids in the family.) You have 103 seats in Parliament. If Ontario opinion leaders and decision makers, and particularly the great rank and file of thoughtful Ontario citizens endorse the status quo, if you let the guys who ran the last referendum stand behind this seat and offer simply more of the same, you will communicate to the West and Quebec that there is no real interest in reforming the federation—that it's not working well, but you don't feel strongly enough to change it. I believe that would send the wrong signal both west and east.

But if Ontario, as the elder sister of the federation, and one of the founding provinces of Canada, would come down hard on the side of change, and support the idea that it's time to take the old house and move it onto a new foundation, I believe that it would be the most positive thing you could do. You would send a signal to Quebec that no one else could send. Quebec politicians—both the status quo federalists and the separatists—tell people that there is no interest in reform of the federation outside Quebec. But you could send a signal to them that there is by sending Reformers to communicate that message in the House of Commons.

The future of the unity of Canada lies as much in your hands as in mine.

Why should you trust me? Why should you trust these Reform candidates? Why should you trust anyone in federal politics? All the big promises from the last election were broken —jobs, the GST and health care. Why should you trust me, particularly on such a sensitive subject as national unity?

I could argue that I love Canada. But no one has a monopoly on loving the country. We can't compare the leaders that way. Mr. Chretien, Mr. Charest and Ms. McDonough love the country as well as I do.

I could argue that I will tell it like it is—that Reform is prepared to say things to Quebec that no one else will tell them—and that I'll be straight with you. I could argue that I am trusted by those who do know me best. I think a vast majority of people agree that Reform's fiscal programme is the one that has to be represented in Ottawa. I think that many of you—whether you tell the pollsters or not—agree that our approach to unity is the one that needs to be promoted more strongly. But can you trust Reformers to handle these delicate subjects and do what we say we are going to do?

The answer goes back to this question about the seat; to answering the question: "To whom does this seat belong?" There are three views on this question in the Parliament of Canada.

First, there are old-line politicians who think this seat belongs to them. They refer to it as "my seat." They say it is their seat, and when get up in the House they use it primarily to express their own opinions and views. When they sit there and speak, they are representing their view on what they think is best for you. They pursue their priorities—their pension, their job—not yours.

Second, the other and more prominent view is the view that this seat belongs to the party, and the leader of the party. These are Liberal seats, safe seats, Tory seats, NDP seats. The MPs who stand behind the desk to speak put the party line ahead of their constituents' interests. They get rewarded for representing their party and penalised for representing you.

They are told how to vote by their party whip. We see the signals given by their whip in the House that say: "Sit down and shut up on this bill, because this is the party line," or "Stand up you idiot and vote for this." One of the restrictions of the television cameras in the House of Commons is that they can only cover those who are speaking. But if the cameras had free range on some of the controversial votes, you would see the whips making signals. The occupants of these seats are not speaking on behalf of constituents, but are representing the view held by their party.

These MPs are bound by the discipline of their party to present the party's point of view. That is how things like the GST get shoved through in spite of massive popular opposition.

Mr. Charest talks in this election about "my government," the Jean Charest government. Reform says it is not a Charest government. Nor is it a Chretien government. It is your government.

There is a third view—the Reform view—that this seat belongs to you. If this seat is to be your instrument of democratic control and accountability, then it must belong to you. Not to the MP who occupies it, nor a political party, but to you—the people. This is the Reform view, the view that this is your seat.

When I stand at the seat that is designated for Calgary Southwest, I think of the people it represents. Of course I consult my personal conscience and my experience. My constituents expect me to bring that to bear on a decision. Of course I consult the Reform principles and policies on which I was elected. But when, on a certain issue, the will of my constituents is different than my personal view or the party view—and that will can be determined on many issues—the will of the constituents must prevail over my view, the members' view or the party line.

To make this seat your own, one of the most important reforms that needs to occur is free votes in the House of Commons. There is more freedom of speech in the average Canadian coffee shop than there is in the House of Commons. The defeat of a government bill or government resolution should not automatically mean the defeat of the government. This single change would allow members of Parliament to vote their constituents' position on bills without defeating the government.

Reform also offers greater use of referendum and citizens' initiatives, and the provision of recall. You will not believe that this seat belongs to you until you can fire the person that stands behind it if he or she breaks their promises or fails to represent you.

Only when the federal Parliament comes under the true democratic control of the people will accountability and honesty be restored to the national government.

Only when you are able to hold elected officials accountable will the House of Commons be changed from the House of Parties to the House of the People.

Only when the majority of the seats in the Canadian Parliament belong to you will the public's instinct for equality replace the establishment's instinct for special status.

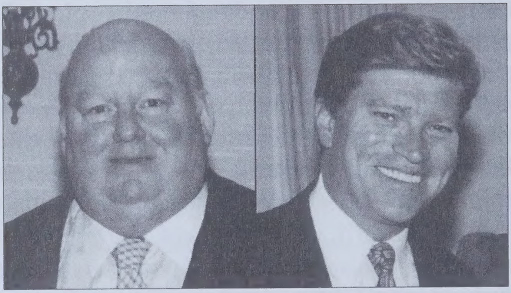
Only when a majority of seats in the federal Parliament come to be occupied by MPs who believe this seat belongs to you will the spirit of democracy return to

Canada's Parliament and the agenda of the people will become the agenda of the Government of Canada.

If you want to restore accountability to the Parliament of Canada, particularly on the great issues of the economy and future direction of the country, this is your seat. On June 2, take it back—with Reform.

Thank you.

The appreciation of the meeting was expressed by William J. McCormack, former Chief, Metropolitan Toronto Police Service and a Director, The Empire Club of Canada.



June 19, 1997

A joint meeting of The Empire Club of Canada and The Royal Commonwealth Society, Toronto Branch

Mike Duffy

Host, Editor-in-Chief,
Baton Broadcasting's Sunday Edition

Tom Clark

National Editor, Baton Broadcasting Service

IF MIKE AND TOM CAN GET ALONG, WHY CAN'T CANADA?

Chairman: **Gareth S. Seltzer**
President, The Empire Club of Canada

Head Table Guests

Robert Dechert, Partner, Gowling, Strathy & Henderson and a Director, The Empire Club of Canada; Nicholas Erb, Grade 11 Student, Oakwood Collegiate Institute; The Rev. Dr. John Niles, Minister, Victoria Park United Church; Joan Harting-Barham, Editor-in-Chief of Fashion, Toronto Life FASHION; David Edmison, Director, Martin Lucas & Seagram, Independent Investment Counsel and a Past President, The Empire Club of Canada; Catherine Charlton, Chair, Toronto Branch, Royal Commonwealth Society and a Past

President, The Empire Club of Canada; Noreen Clement, Adult Education Teacher, Danforth Tech and Lakeshore Collegiate Institute and Vice-Chairman, Royal, Commonwealth Society, Toronto Branch; Joan Hilborn, Fredrik D'Arcy Eaton, Assistant Chief Operating Officer, T. Eaton Company Limited; and MGen. Bruce J. Legge, C.M.M., C.M., Q.C., Partner, Legge & Legge, Commander of the Order of Military Merit, Member of the Order of Canada, Honorary Life Chairman, Royal Commonwealth Society and a Past President, The Empire Club of Canada.

Introduction by Gareth Seltzer

Your Honour, ladies and gentleman, my name is Gareth Seltzer and I am the President of the Empire Club of Canada. We are most fortunate to be joined by the Honorary Vice-President of the Empire Club of Canada and the Honorary Chairman of the Royal Commonwealth Society, Her Honour, Hilary M. Weston, the Lieutenant-Governor of the province of Ontario. Your Honour, I have the privilege of introducing to you, the head table.

I will now ask Her Honour, the Lieutenant-Governor of the province of Ontario to bring greetings. Your Honour.

The Hon. Hilary M. Weston

Ladies and gentlemen, distinguished guests, it is a great honour for me to be here today for the first time as Ontario's Lieutenant-Governor. I am also delighted to be able to extend the tradition whereby the Lieutenant-Governor attends this Canada Day luncheon co-hosted by the Empire Club and the Royal Commonwealth Society.

While Canada's identity as a nation is fast changing, becoming increasingly special and unique (who would have imagined 20 years ago that an Irish-born fashion guru and mother of two would be chosen as Ontario's Lieutenant-Governor?) it is more important than ever to remember our history and the institutions and people that formed us.

Standing before you now, on the podium of one of Canada's oldest and largest speakers' forums, I am reminded of the many great minds that have stood here before me and I must confess it's rather daunting. I can feel the eyes upon me of one of this Club's most illustrious speakers: Sir Winston Churchill. I wonder if I can hear him whispering behind my back the same criticisms he had of a certain naval commander of which he said: He is one of those orators of whom it was well said: "Before they get up, they do not know what they are going to say; when they are speaking, they do not know what they are saying; and when they have sat down, they do not know what they have said."

But regardless of what the ghosts are murmuring, I am very honoured to stand on this illustrious podium. This Club and its speakers have taken us from the time of train travel to the space age and beyond, through war time and peace time, through times of prosperity and of economic hardship.

It makes one realise, that in being here this afternoon, one is partaking in an ongoing and very active historical tradition and I look forward to hearing from Mr. Tom Clark and Mr. Mike Duffy, who will, I am sure, cast vivid light on the exciting and complex problems and delights of today's media world. As Her Majesty's Representative in the province I would like to thank you all for inviting me here today and I would like to commend the Empire Club of Canada and the Royal Commonwealth Society for continuing to provide such an excellent forum for great words, great minds, great ideas, and a very good lunch to boot! Thank you so much.

Gareth Seltzer

Thank you Your Honour and may I say again how pleased we are to see you today in your first visit with us as Lieutenant-Governor and how grateful we are for the fine example you set as one committed to service in our community.

I must admit that on this occasion, it was a challenge for me to decide in which direction to go. There are so many stories and lessons to be learned from and about our great nation. Having recently returned from Micronesia and the Philippines, it was so obvious to me the moment I was back on Canadian soil that this land, Canada, is an extraordinary country. Canada is full of entrepreneurial spirit, a sense of social justice, unparalleled personal safety and, to top it all off, relative to where I was, the roads aren't too bad. Eduard Manet said that "a country has charms only for those not obliged to stay there." Canada may sometimes seem less charmed but frankly is abundantly blessed. On the occasion of our Canada Day luncheon, you may ask why I invited two journalists—Tom Clark and Mike Duffy. G.K. Chesterton said that journalism consists largely of saying Lord Jones died to people who never knew Lord Jones was alive. But today journalists and journalism provide not only a flavour of the pains and spirit of a nation, but some journalists have an extraordinary knack for bringing news and issues to us in an especially talented manner. Mr. Clark and Mr. Duffy are two such journalists.

Tom Clark, in addition to his duties as National Editor for BBS, anchors a daily news package on Baton's 24 stations on national and international issues. He has reported from the Persian Gulf, Berlin, Beijing, Somalia, Bosnia and Russia. He has brought to our screens wonderful coverage of the D-Day reunion in France among many other projects. However, we most frequently see Tom in the BBS evening segment with this piece of work, Mike Duffy.

Which brings me to Mr. Duffy. When I was putting the agenda together, I decided that no one could talk better about our nationhood and our state of affairs than, as Chatelaine called him, one of the 10 sexiest men in Canada—Mike Duffy. The Duff, as he is affectionately referred to, is the Editor-in-Chief of Sunday Edition. The Duff is a regular on Rogers Broadcasting's Sunday Network Radio Magazine, and a variety of other programmes. He has covered six wars, including two tours of Vietnam and, drawn by political reporting, has been focused on Ottawa and the political scene for the past 25 years.

Duff is going to speak to us for about 10 or 15 minutes and then will be joined by Tom Clark to take questions from the floor. Ask them a few toughies! And, of course, while we are sensitive to the protocol of our guests and the dignity of these prestigious clubs, I am reminded that the Duff is a political journalist so I take no personal responsibility for the views expressed herein! Your Honour, ladies and gentleman, to start the address off—Mike Duffy.

Mike Duffy

Your Honour, distinguished guests, ladies and gentlemen, and old friends, it's quite a daunting task you have set out Mr. Chairman and I must say that my normal butterflies were exacerbated by Her Honour's reference to some of the previous speakers at this distinguished gathering.

This is something new for Tom and me. We do our little bit every evening and that generally takes about an hour of talk time earlier in the day back and forth bantering about what's going on. I try out all of my lines and he says: "No, no that's far too ribald, we can't get into that," so this is something different and I hope it works. Normally on Canada Day or leading up to Canada Day I would be wearing my Canada Day Canadian flag tie. Unfortunately I'm out of them. Every time I wear it on TV I get a letter from a service club in some other part of Canada that says: "We want to auction the thing off," so I end up sending it off. I stopped at the tie place on the way through hoping it would have some but they are sold out too. When you have a good product called Canada, you just can't keep it in stock.

As I say it is indeed an honour to be here and I tell you it's wonderful to be listed as one of Canada's 10 sexiest men. My old pal Fotheringham says Chatelaine got it wrong. He says Duffy is not one of Canada's 10 sexiest. He is in fact two.

It is not easy being a sex symbol. I was coming from a Prince Edward Island charity event on the weekend through Halifax Airport and a lady came up to me. She said: "I recognise you. I'd know you anywhere. I see you on television." I said: "Yes Madam, nice to meet you." She said: "Yes, you're Lloyd Robertson." I haven't told Lloyd about this. That woman either needs a new television set or a new set of glasses. But Lloyd's fine and now he is doing so well the CBC has decided that they've got to take a run at him directly at eleven o'clock. We are not worried because we think that even with that kind of competition at the end of the day you'll discover that CTV still has Canada's most watched newscast. That is something we are proud of.

Canadians have a lot to be thankful for. We still have far too high a rate of unemployment in this country. The economy however is in an upturn despite the uncertainty in the province of Quebec. But even with all of the good news on the economic front, people are asking where are we going from here? And I have to tell them honestly that I don't have a clue. But being clueless I turn to the government and I ask people at the senior levels where do you see us going in the next little while? What I am going to impart to you in the next few minutes in the serious part of our discussion today is what they've said to me as what we in the business call background, deep background, or as they say in Newfoundland, deep trout.

What the government's people in finance and elsewhere tell me is that we are on the edge, the leading edge, of an economic boom, a boom that will rival what we saw in this country back in the 1980s. But it will be even better because, unlike then, this will be non-inflationary growth. We are beginning to see it reflected in the stock markets as the indexes hit new highs almost every week. It's being fueled by us—the baby boomers. It is hard to believe but every seven seconds in North America another boomer turns 50. I turned 50 last year, Cher turned 50 last year. It is amazing isn't it? Cher has the mind of a 50-year-old and the body of a 19-year-old and she has the receipts from the plastic surgeon to prove it.

But we boomers have mostly paid off our mortgages, except for a few single Dads I know. The kids are about to move out if they're not already on their own and for the first time in our lives we've got some serious disposable income. On top of all of this, our parents are getting on. They are getting to the age where they are about to pass on. All of this adds up to the biggest inter-generational transfer of wealth in the history of the world.

We are going to have money to invest in stocks, in cottages, in retirement homes, in vacations, even maybe in sports cars if they make them big enough. The retail economy is going to continue to grow and the stock market is going to continue to boom. There are exciting and prosperous times ahead once we get through this little bumpy patch.

Paul Martin over in Finance is the most powerful minister in the federal government and he remains determined to control federal spending. While we have made impressive progress on the deficit, Martin knows we can't stop now as we are not out of the woods by a long shot. He also knows Canadians, especially Liberals who will be delegates to the next Liberal Party leadership convention after the Prime Minister steps down, probably in the year 2000, don't like to hear talk about cutting and slashing. So Paul Martin will be buoyant and upbeat in public as he goes about the tough business of controlling spending in the corridors of power. His rewards should be the Liberal Party leadership after the Prime Minister steps down. Paul Martin has earned it.

Frankly far too few Canadians understand how an economy like ours operates and why tough urgent action was necessary. Far too often in the past our politicians have fallen over and given in to the loudest voices in the crowd. As long as we had credit at the bank politicians could give these pressure groups what they wanted and put the bill for it on the backs of our kids. But now as the baby boom generation gets set to retire, the financial pressures on the system are going to increase dramatically.

Today 12 per cent of Canadians are over the age of 65. They're retired, drawing out of the system pensions, medicare and so on. One-third of Canadians are baby boomers. They were born between 1946 and 1966. When the boomers start to retire in a few short years from now that number of retirees will expand dramatically from 12 per cent today until it is at its peak at close to 40 per cent. That's more than three times the current load on our pension plan, on our hospitals and on our medicare system.

It's why Paul Martin, despite the objections of other politicians, took the tough step of increasing Canada pension plan premiums so our CPP won't go bankrupt down the road. He sees what's hanging out there.

Now some people say it doesn't matter about the future because I'm not going to live that long. Nobody ever gets to that stage. I'd ask you to consider this. Since 1950 Canada's death rate has dropped by 23 per cent. I'll put it another way. In 1900 the average life span in North America was 47 years. Today it is 79 years and it is getting longer every day as medical science improves and we live, some of us anyway, healthier lifestyles. Get out there and jog and I'll watch.

Today for every retired person there are seven people in the work force. When we boomers are retired that number will drop dramatically till there are two people working in the labour force to support every retiree. So today there's 12-per-cent retired and for every retiree seven taxpayers out there. In 30 years' time, I'll only be 81. My mother's 80 today and she's still going strong, running all of PEI, not just the Duffy clan but the whole place. She's going gangbusters at 80 so there's no reason why we are not going to get there, but when we do get there, instead of being 12-per-cent retirees, it will be heading for 40 per cent. Instead of seven people paying taxes to keep us in the manner to which we are accustomed and entitled and will demand, there will only be two people. Our kids will be out there working and paying taxes and won't they be thrilled. If we think the tax rate at 54 per cent is high now it will be through the roof when we are retired at our peak and that'll make us very popular with our children.

So what we have got to do is get the deficit and the debt under control before we retire, so that we won't have that unfair burden on our kids. That's what Paul Martin and Jean Chretien understand and that's why they have been doing what they're doing. It's not because they are driven by some kind of right wing ideology that says we have got to take bread out of the mouths of children, not at all. It's because we have to preserve a country that we built to be great and prudence is the only way to do it. If we stick to the current plan, we're going to see a booming economy. We're going to see a resurgence in economic growth. We're going to see a decline in unemployment and we are going to do it without the return of inflation.

The one question mark hanging over our heads, as I wrap up today, is the question of national unity and I think there were some clues in the recent announcement of the new cabinet line-up where the Prime Minister talked about the cabinet committees. I think what we're about to see from the federal government, probably beginning in the fall, is a series of conferences to work out a new deal in the Canadian federation—a series of conferences to shape economic and social policy for what the experts are now referring to as the Canadian union. The idea is to reduce overlap and duplication in government and return to the provinces which want it (not everybody but just those that want to run their own shows) control over areas like education, social welfare and health which under the BNA Act were under provincial jurisdiction anyway. The final details have not been hammered out. Of course we are in a very preliminary stage here and they probably won't be hammered out before the next Quebec election which is the next big crisis on the Canadian historical road. But if this system of conferences comes into place, what we will be able to offer to Quebeckers is a mechanism by which they can both retain their presence in Canada and be "maitre chez nous" in their province as they will be in British Columbia, Alberta, Ontario and every other province which will get essentially identical powers if they want them from Ottawa.

As people who believe in Canada, I think we owe it to our kids to remain involved. Just because we have had a federal election doesn't mean the campaign is over. What we've got to have is what we see in this room today—continuing civic involvement by our young people. Not just those of us of mature years but the young people especially who seem so alienated and disinterested in what's going on.

Let me assure you politics is important. You know that. Politics is also fun and so I would urge you to urge your children, your neighbours, your friends to get involved in the political process. Pick your party, it doesn't matter. What we need in this country is continued political involvement.

I salute you all for all your commitment to Canada and Tom and I will be happy to try to answer your questions on this special Canada Day preview luncheon. Thank you for the invitation today. God bless you and God bless Canada, the number-one country in the whole world.

Tom Clark

When I was asked to join you today it was made clear to me that this was the Canada Day luncheon so I thought it was appropriate that we try and articulate a little something about this country. Journalists are often seen as people who tear down the country and I guess that's part of our job, but I think what we should be doing for the most part is joining in the crusade to make this a great country, because it really is.

A number of years ago I was pondering all of this. I went to Vimy Ridge. There wasn't any big ceremony going on. I just happened to be in the area and I dropped into the Great Memorial at Vimy Ridge. If you have never been you should go because it is truly one of the greatest memorials anywhere in the world. I was at the time doing an article on my grandfather who had written extensively during that period and his brother Greg Clark who was my uncle. I was buried with notes, but when I was in Vimy I came across a letter that young Jo had written to his father who at the time was the Editor-in-Chief of The Toronto Daily Star. He wrote this from a shell-hole during a battle in 1916 and this is what he said. "Dad, we never know when we may be taken. We never know over here when our hour has come. But it is better that way. There have been times when the whole world seems to be seen slipping and my tortured brain and soul were ready to burst their bands. But the hours rolled away and in time once again I smoked my cigarette, laughed with the next fellow and my previous thoughts remained behind the cloud of memory like some hideous nightmare best forgotten. But Dad should it be that all we who are out here now should not come back and that many who are on their way here should not return, thank heaven there is a generation from the bone of those great men who have fallen over here. Now too young to fight, but after the War has petered out old enough to take the tiller of management of Canada. With the memory of their dead fathers before them surely a wonderful nation will be made of Canada." That was written by a young man of 21 years old at the worst time of his life and he thought then of a vision of this country.

So I thought about this some years later particularly on a November day a couple of years ago. I wrote down these thoughts about this country and especially about the heritage of this country which is so often now the subject of attack. For some reason we have decided, or some people have decided, that heritage in this nation should be defined in a rather odd way. And too often it doesn't include history. But this country like any country is history and its people are history. It is what has made us. Here's just a thought that I wrote down a couple of years ago on a November day.

"He was out there again today; his watery eyes stinging in the sunlight in the sharp north wind, watering from the outside and the inside; from the years and the tears he remembers. He remembers the 19-year-old body that once contained his soul, laughing, randy, exulting in the physique and untapped promise of youth. He remembers the coarse itchy battle dress and the pride that it inspired when he walked down Brock Street on his first leave home. He remembers getting it dirty one day in Holland. When the ringing in his ears stopped he looked down at the battle dress. It was covered with mud and blood and a bit of his tibia was sticking through it. He didn't know it at that moment but that was the day that he became a veteran. He doesn't think his son really understands all of this. Oddly enough his grandson does. A good teacher and those same idealistic juices of youth help him to know what sent Grandad to war.

Tomorrow night he will be back at his table in the legion having a few beers too many. Charlie won't be there. The black humour that got them through Italy and Holland still helps. I hear Charlie quit smoking. Well that's the way he got the news about Charlie from his pals."

It's relatively easy for the rest of us to picture the young men who died but it's a lot harder to see them in the old men who wear their medals and berets once a year. And while we bow our heads for a minute as "The Last Post" plays for those who died for God's sake let us remember those who came back because they won't be with us for much longer. I think that when we put history into perspective what we come up with is a better nation and a better country.

The appreciation of the meeting was expressed by Catherine Charlton, Chair, Toronto Branch, Royal Commonwealth Society and a Past President, The Empire Club of Canada.

June 23, 1997

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

General Paul A. Rader

International Leader, The Salvation Army, London, England

LIVING WITHIN THE SOUND OF SIRENS

Chairman: **Gareth S. Seltzer**
President, The Empire Club of Canada

Head Table Guests

Ed Badovinac, Professor, Department of Telecommunications, George Brown College and a Director, The Empire Club of Canada; Brian Champ, Student, Wexford Collegiate Institute; Alan Tonks, Chairman, Metro Hall, Municipality of Metropolitan Toronto and Honorary Secretary, The Empire Club of Canada; Commissioner F. Joyce Kerr, Territorial President of Women's Organizations of The Salvation Army, Toronto, Ontario; Archbishop Michael G. Peers, Primate of the Anglican Church of Canada; Mrs. General Kay F. Rader, International President of Women's Organizations of The Salvation Army, London, England; The Rev. Kim Beard, Rector, Christ Church, Brampton and a Director, The Empire Club of Canada; Commissioner Donald V. Kerr, Territorial Commander, The Salvation Army, Canada and Bermuda Territory; Dale Neilly, Director, Global Accounts, Nortel; and Gordon K. McIvor, Director, The Canadian Club of Toronto and Vice-President, Public and Government Affairs, Canada Lands Company Limited.

Introduction by Gareth Seltzer

When I heard that General Rader was able to accept our invitation to join our Clubs today, I was unclear as to how I would introduce him. My familiarity with the Salvation Army comes from witnessing the years of extraordinary work the Army has performed and seeing my late father on cold rainy nights going house to house in our neighbourhood during the Red Shield Appeal soliciting contributions. Thankfully, given his musical talents, he was never any part of the bell ringing team.

I thought I would do a little research on the Army by hitting the Internet, expecting to find the odd bit of information here and there. Well, was I mistaken. I hit the "church surf" and the next thing I knew, I was in the most sophisticated network of information I could imagine. It seems that almost every chapter of the Army has a Web page. So I selected, at random, several pages that spanned the globe. I learned that the Salvation Army has been serving Bangladesh for 25 years, since the cyclones of 1970 and 1971, and that General Rader recently recognised this Army constituency as a region in 1995. I learned that the Army has been serving The Pas, Manitoba since 1916. And in Skudennes, Norway, I can't really say anything about the Salvation Army, since the entire site is in Norwegian.

For those who may not know, the Army was founded by William Booth, a Methodist minister, who began an evangelical ministry in the east end of London in 1865. It has members in 16 countries and there are approximately 1.5 million volunteers registered with the Salvation Army in the U.S. alone.

We saw the Army in flooded regions of Manitoba in our own country recently. There are Salvation Army rehabilitation centres and Harbour Light centres designated as halfway houses for former prisoners who have been paroled into the direct custody of the Salvation Army. The service of the Salvation Army is extensive.

General Paul A. Rader was elected to the highest office in 1994, and his biography reads like a man—or more accurately, as the service of his wife Kay is equally impressive—like a team on an endless quest for knowledge and service.

They spent 22 years in Korea before returning to the U.S. and General Rader quickly became Commissioner of the U.S.A. Western Territory, then international leader, while Mrs. Rader became international President of the Women's Organizations of the Salvation Army. I am not a religious person but I have the utmost respect for such dedicated commitment to service in the global community and am delighted to invite our guest, General Rader, to the podium today to discuss "living within the sounds of sirens."

All of life, however sophisticated and secure, has an underside of silent suffering, of powerlessness, poverty and pain, of addiction and abuse. Most of the time we manage to be oblivious to these darker realities until suddenly they intrude. We hear the desperate cry for help of a victim of violence, or an intruder alarm demands our response, or the wail of an emergency vehicle shatters the silence of the night. We are stabbed awake to our own vulnerability and perhaps to our responsibility for the sufferings of others.

Some years ago, Dr. Richard Seizer wrote a fascinating series of reflections on the life of a surgeon entitled "Letters to a Young Doctor." I have a brother who is a surgeon, and it helped me to understand that surgery, as is often true in other absorbing professions, is not just something one does, but something one becomes. Writing to his young protégé about the choice of surgery as a specialty, Seizer comments: "Some people live out their whole lives within earshot of bells. As though it were the sound of these bells, the chiming, that were necessary to life, an essential element like oxygen. But you have chosen to live out your life within the sound of sirens... (There will be times when you will regret that you chose sirens over bells") (p. 41).

The Salvation Army has made that choice. Salvationists have chosen or, as we believe, have been called by God to live within the sound of sirens. Some of us might have preferred to settle down comfortably at the foot of a carillon tower to listen to the bells. But the Salvationist's spiritual imagination is stirred by the passion of the great missionary adventurer of another generation, C.T. Studd: "Some wish to live within the sound of church or chapel bell; I want to run a rescue shop within a yard of hell."

That choice is driven by our faith—a faith that both moves us to compassion and calls us to combat the evils that demean human persons, rob them of dignity and deprive them of hope. As a spiritual movement informed by faith, the Army for more than 130 years has sustained its programmes of human compassion which now extend into 103 countries around the world.

We choose to live within the sound of sirens because we believe in the value and dignity of human persons, sick or well, whole or flawed, unborn or aged, productive or dependent, contributive or disconveniencing. That understanding is grounded in our experience of God's love for all and the compelling proof of that love in the offering up of the life of His Son for our salvation. We believe in the redemptive potential of human persons, however victimised or vitiated by sin, suffering or circumstances, when touched by the love of God and the liberating power of His Spirit.

This is not religious rhetoric. It is street-tested reality that keeps us living hopefully within the sound of sirens. John Stewart grew up tough on the streets of the inner city. Despite the anguished efforts of his parents—and he was fortunate to have both parents to care about him—he followed his older brother into a life of violent crime and substance abuse which ended in his repeated incarceration. "I was on a collision course to hell!" he says. He was introduced to The Salvation Army's Adult Rehabilitation Program. And through the tough love of Army staff who could see past his hardened exterior to a hungry heart and its unvoiced cry for help, he was brought to a life-changing faith in Christ that opened the door on a future that he was convinced had forever been forfeited. Later, he responded to God's call to commit his life to the service of God and others. A year ago, in Niagara Falls New York, having completed his education and officer training, it was my joy to ordain and commission him as an officer of The Salvation Army.

The drug and alcohol rehabilitation programme operated for street homeless in Kiev, in the Ukraine, by a Canadian officer, Captain Lois Dueck, is much less sophisticated than the quality rehabilitation programmes the Army maintains across Canada and the U.S.A. It is but one dimension of her heroic efforts to meet the diverse and urgent needs of the homeless among whom she works with such dedication.

She manages this recovery programme on a shoestring in an abandoned building, breathing hope and future into a handful of men living on the edge of despair—often contending with the hostility of the authorities who have no will to own the problems of the homeless poor that they are helpless to resolve. The facilities and programme standards are far different than a generous public makes possible in North America, but the dynamics of redemptive love and stubborn faith in the power of the Gospel are the same. We heard five of these men tell in simple but moving testimony of the dramatic change in their lives. Sustained by her faith in the love of God and its power to transform lives, Lois Dueck chooses to live within the sound of sirens. She is making a difference.

Having drifted from the moorings of a biblical faith in the value and dignity of persons as loved by God and redeemed by him, our contemporary society has allowed its sense of the value of human life to be eroded. Australian ethicist Peter Singer openly advocates for a view of human mammals as no more entitled to survival than other species. An intelligent chimpanzee, in his view, may have more claim to survival than a severely handicapped human child incapable of a reasonable quality of life. His bottom line is to call for an abandonment of the pretense that the human fetus is not a human person. Even if it is, it has no necessary claim to survival, in his view, as circumstances may dictate that its life should be forfeit.

The wail of the sirens may signal an heroic commitment to the rescue and recovery of human lives in jeopardy. Our lifestyles may tell a different story. A few years ago the Journal of the American Medical Association published an illuminating summary of what really kills people in America. Of course we understand that people die of heart disease, cancer, stroke and accidents and the like. But this listing of the chief underlying causes shows that half of all deaths in that country are due to largely preventable risk factors: tobacco, diet and inactivity, alcohol consumption, toxic agents, sexual behaviours, illegal drugs and auto accidents. It would appear that life is cheap, cheaper than we might have thought.

Meanwhile, 15 million children around the world die each year from preventable causes and child birth for want of access to basic prenatal care and medical assistance in birthing. Apart from a conviction as to the value of human life based on more than sentiment, the commitment to saving life and enhancing its wholeness will falter. We soon no longer hear the sounds of sirens. Aldous Huxley once wrote of human suffering: "Screams of pain and fear go pulsing through the air at the rate of eleven hundred feet per second. After travelling for three seconds they are perfectly inaudible."

Sometimes one must listen with the ears of the heart to hear the sirens—the muffled tears of silent sufferers, the lonely and alienated, those who live with dark and disturbing secrets in the cellars of their souls, the increasing number of dependent elderly. And there are the persons with AIDS. True, in some societies they have been more than a little strident in their demands for funding of research and treatment. But hundreds of thousands of AIDS sufferers are ostracised and consigned to a living hell of hopelessness and fear. In many cultures they are the pariahs, the new untouchables.

Recently we were in Zimbabwe where one in 10 is infected with AIDS and 500 are dying weekly of the disease. Already, some 500,000 children have been orphaned by its ravages. The Minister of Health, Timothy Stamps, speaks of the "reverse orphaning" of the elderly, who are left bereft of their adult children to care for them in their declining years. In neighbouring Zambia the situation is worse. The Army operates a complex of medical and community-based programmes in these countries in response to the pandemic.

An international AIDS programme design and technical assistance team has been fielded by the Army to aid communities in addressing the crisis. In Mumbai, India a small and sparsely furnished centre has been established to assist persons with AIDS in accessing medical services, providing support, counselling and practical assistance. We visited the programme earlier this year. We met with some of the 80 "positive people" as they called themselves, who regularly gather there for mutual support. "We hope for a remedy someday," one of their number said. "But we want you to know that healing is happening here already on the inside, because of the love and acceptance we find here." Captain Pawar Sureesh and his dedicated officer wife, who co-ordinate this programme, have chosen to live within the sound of sirens.

The Salvation Army continues to address the perennial problems of homelessness and unemployment, of hunger, and limited access to health care. We are working to provide moral direction to the young and to strengthen families. As we approach July 1, 10,000 persons a day are being served by our network of social and educational programmes in Hong Kong, while some fifty development projects are operating in 10 provinces of Mainland China under Army auspices.

The Army, as an evangelical church and agency of compassion, is motivated by the love of God in Jesus Christ. It brings to its encounter with human need an irrepressible hope sustained by confidence in the faithfulness of God. To the young it offers a new sense of self-worth and future. To the aging it offers a respect for the dignity of even the most dependent of persons. To those struggling with addictive behaviours it offers its tested programmes of recovery and skilled counselling—with the power plus of the Gospel, the power of God unto salvation for everyone who believes.

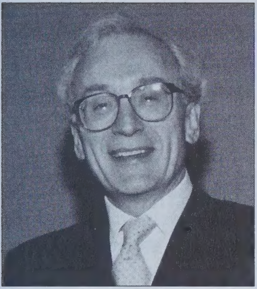
Along with other churches and faith-based charities, it bears witness to the critical role of faith for any society in sustaining and empowering our efforts to address the most painful and intractable problems of our communities and our troubled world. Faith matters.

In the conclusion to a chilling study of the effects of moral poverty on violence and social trauma, William Bennett and John Dilulio refer to what they call the compelling civic case for religion and a growing body of scientific evidence which indicates that churches can help curtail or cure many severe social pathologies. "The religious faith," the authors conclude, "enlarges the human heart; ... reminds people of their basic responsibilities and commitments; provides society with reliable moral and social guard rails; helps the impulse of compassion take on the name of action; and allows the 'eyes of the heart' to see our fellow citizens not merely as distant body-count statistics or as enemies or aliens or 'other' but as moral and spiritual beings, as children of God. For that is, in fact, what they are."

It is to this critical role of faith in sustaining and empowering our efforts as a society to address the most painful problems of our communities and our troubled world, that our presence and programmes bear witness. The Army is there and will be ever grateful for the generous confidence of people, like yourselves, who care about the plight of those who find themselves struggling to survive on the underside of life.

And now I think I hear a siren somewhere!

The appreciation of the meeting was expressed by the Rev. Kim Beard, Rector, Christ Church, Brampton and a Director, The Empire Club of Canada.



September 10, 1997

The Rt. Hon. Lord Chadlington

Chairman and Founder, Shandwick International, plc

Chairman: **Gareth S. Seltzer**
President, The Empire Club of Canada

Head Table Guests

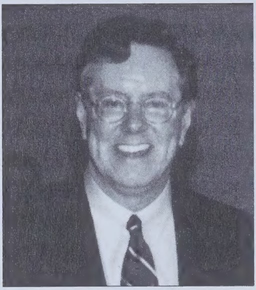
The Rev. Dr. John Niles, Victoria Park United Church; Ray Protti, President, The Canadian Bankers' Association; Gary Heatherington, Executive Vice-President and General Manager, MasterCard Canada; Ms. Maureen Shaughnessy-Kitts, Director of Communications, McDonald's Restaurants of Canada Limited; Alan Goddard, Vice-President, Corporate Affairs, Canadian Tire Corp. Ltd.; Robert J. Dechert, Partner, Gowling, Strathy and Henderson, Immediate Past President, The British Canadian Chamber of Trade and Commerce and Second Vice-President, The Empire Club of Canada; Christopher Bunting, Chairman and CEO, Shandwick Canada; and Howard Mann, President and CEO, McCain foods Limited.

Introduction by Gareth Seltzer

Lord Chadlington

Due to technical problems Lord Chadlington's speech was not available for reproduction here.

The appreciation of the meeting was expressed by Robert J. Dechert, Partner, Gowling, Strathy and Henderson, Immediate Past President, The British Canadian Chamber of Trade and Commerce and Second Vice-President, The Empire Club of Canada.



September 30, 1997

A joint meeting of The Empire Club of Canada and The Fraser Institute

Steve Forbes

President and CEO, Forbes Inc. and Editor-in-Chief, Forbes Magazine

REFORMS FOR THE NEW MILLENNIUM

Chairman: **Michael Walker**
The Fraser Institute

Introduction by Michael Walker

Ladies and gentlemen, it is now my great pleasure to introduce to you our guest speaker for today. Steve Forbes is President and Chief Executive Officer of Forbes Inc. and Editor-in-Chief of Forbes Magazine. Mr. Forbes is also Chairman of two company subsidiaries—American Heritage, and Forbes Newspapers, a New Jersey-based chain of suburban weeklies.

Steve Forbes assumed his current position in February of 1990, and since that time Forbes Inc. has expanded with the addition of six new magazines, including Forbes FYI and Forbes ASAP. Forbes has also introduced a new conference division, an electronic edition of Forbes on Compuserve and the World-Wide Web, in addition to the American Heritage custom-publishing group.

Mr. Forbes writes editorials for each issue of Forbes under the heading of "Fact and Comment" and of course has been a widely respected economic prognosticator appearing on many national news programmes including "The NewsHour," the nightly "Business Report" and "Wall Street Week." He's the only writer by the way to have been a four-time winner of the highly prestigious Crystal Owl Award for making economic predictions.

In 1985, President Reagan named Mr. Forbes Chairman of the Bipartisan Board for International Broadcasting. In this position he oversaw the operation of Radio Free Europe and Radio Liberty. Mr. Forbes was re-appointed to this position by President Bush and served until April of 1993. From September 1993 until June of 1996, Mr. Forbes served as Chairman of the Board of Directors of Empower America, a grassroots political organisation.

Steve Forbes was born in Morristown, New Jersey and educated at Brooks School, Massachusetts. He received a Bachelor's Degree of History from Princeton in 1970. At Princeton, a presage of what was to come, he was the founding editor of Business Today which became the country's largest magazine published by students for students, and with a circulation of 200,000 the magazine continues to be published by Princeton undergraduates.

Mr. Forbes now serves as President of the Board of Trustees of Brooks School. He is a trustee of Princeton University, serves on the boards of the Foundation for Student Communication, the Ronald Reagan Presidential Foundation and the American Enterprise Institute and is a member of the Board of Overseers of the Memorial Sloan-Kettering Cancer Centre.

He holds honorary degrees from Lycoming College, Jacksonville University, Heidelberg College, Iona College, Kean College, The New York Institute of Technology, Lockhaven University, Westminster College, Sacred Heart University and Centenary College.

On September 22, 1995, Mr. Forbes took leave of absence from Forbes Inc. to campaign for the Republican nomination for President. He vigorously competed in all the early primary contests and was victorious in Arizona and Delaware. Steve Forbes in this campaign advocated a platform of hope, growth and opportunity. The key to his programme was a flat tax that was a tax cut, medical savings accounts, a new social security system for young people and parental control of schools and term limits.

Ladies and gentlemen, please help me extend a warm Canadian welcome to the new millennial voice for hope, growth and opportunity in the Americas—Mr. Steve Forbes.

Steve Forbes

Thank you very much Michael for that very gracious introduction. It is a great pleasure to be here today.

I'm very delighted that the Fraser Institute as well as the Empire Club put this occasion together. The Fraser Institute has done extraordinary work over the years. It has been a one-person band in Canada in terms of think-tanks. In the United States we have a number of so-called think-tanks that put out new ideas, do studies, give people ammunition to be able to participate in the affairs of the day and go against the prevailing grain, but it looks like the Institute has really achieved some real success up here. It appears that the intellectual ground, you might say, is beginning to shift more to a free-market orientation and you deserve high credit for that Michael.

I understand there's going to be a question and answer session after my remarks on the topics I bring up or the topics that might be on your mind. I just have to warn you that if you ask about specific matters such as what is going to happen to interest rates or the stock market I will tell you, but I should warn you about a favourite saying of my grandfather who founded Forbes Magazine back in 1917, the same year as the Russian Revolution. Wherever my grandfather is right now he must be happy that his creation outlasted Lenin's creation, but my grandfather liked to say that you make more money selling the advice than following it. So you are all on notice.

Michael made mention of my presidential foray last year. Soon after I left the race the commencement season began in the United States where colleges and universities try to get their seniors out into the real world. Parents try to get them out of the nest, not always successfully and in my neck of the woods in the State of New Jersey one of the local colleges decided to give an honorary degree to Yogi Berra, the former Yankee baseball player. Any of you who know about Berra know that he comes up with these strange sayings. He gave the commencement address and gave his usual words of advice such as: "If you come to a fork in the road take it," and helpful hints like that. At the time the newspapers were full of stories about Berra and one of them recounted the time that a newspaper reporter went up to Yogi Berra and gave him the news that the good Catholic voters of Dublin, Ireland had just elected a Jewish mayor. And Yogi Berra remarked: "Gee, that's wonderful. Only in America could that happen." You might say in a sense that only in America would somebody spend his own money running for president in order to achieve his real ambition which was to host "Saturday Night Live."

I have been asked today to make some remarks about the kinds of reforms we need as we leave this century and enter a new millennium. In a sense we have a chance to go into this new millennium with the optimism and the opportunities that began this century. Obviously no one here is old enough to remember the beginning of this century so we have to rely on the history books. At the turn of the twentieth century there was considerable optimism, certainly in the Anglo-American world. This century would not only see great material advances but would also see great advances in the rule of law and the advance of democracy. Even Russia, autocratic Russia, czarist Russia, which was then the barbaric nation of the time, was beginning to lumber haltingly, especially after the Revolution of 1905, into something resembling a parliamentary democracy with a king or czar. It was a time of optimism. Even in Russia they still had something resembling the rule of law. The courts had considerable independence from the czarist regime, certainly compared to what happened after 1917. So it was a period of great optimism. People thought that things could only get better and progress was inevitable.

Then came of course the catastrophe of the First World War, seemingly senseless slaughter and a real decline in faith in western institutions and western civilisation. We had the rise of Communism, Fascism and Nazism, the Great Depression, the Second World War, followed by the 40-year Cold War. In a sense we are back to where we were in 1914 and the real question before us is: "Will we realise the glittering opportunities that are now before us as we enter the new millennium or are we going to have a replay of the catastrophic mistakes that so scarred this century?"

As you know from business, even if opportunities are there, it does not mean those opportunities will be realised. You have to make them happen. The political sphere is similar. Just because times and circumstances are favourable there's nothing dictated in the stars that says things are going to go well. People are important in running businesses. That's why we at Forbes magazine always focus on what my grandfather called the head-knocker. People make the difference and we should not lose sight of that in the years ahead.

The opportunities are absolutely extraordinary. Events are taking place that make possible this unique juncture in history.

One is the end of the Cold War. While we still live in a very dangerous world and we should not underestimate the capacity of terrorists and rogue nations to do real harm in the world, we don't face the kind of mortal threats to our very existence that we faced for much of this century with the two World Wars and the 40-year Cold War. There is an unprecedented degree of security. But the degree of security is only part of the meaning of the end of the Cold War. The Cold War also means that the centralising trend of governments has come to an end. When you face a major enemy you need to mobilise the resources of society in order to face that enemy and beat back that enemy. If you look at the United States—which as you know was created as an anti-government, pro-individual nation and had this great tradition in the nineteenth and early part of the twentieth century—the United States government has assumed a size and scope that would have been absolutely unimaginable a few decades ago. The real catalyst for the growth of government—whether it's in the United States, Canada, Western Europe, or even parts of Asia—has been the wars that we have had to fight in this century. Every time a war ended and governments began to downsize we faced another crisis.

The Cold War fundamentally affected political, social and economic life in the United States. For example, federal aid was initially justified in the name of national security, especially after Sputnik 40 years ago. Federal aid to American universities and other institutions for research and development was justified in the name of national security. Even our interstate highway programme which was begun in the 1950s under Eisenhower had as one of its justifications national security. When John Kennedy proposed his massive tax cuts in the early 1960s it wasn't to get America's economy moving again as he put it but also to show the world that we could grow faster than the Soviets. The warfare motif has really been predominant in this century and by the early 1960s in the United States a lot of people said: "Gee, if government could help win two World Wars, alleviate the distress of the Great Depression, put a man on the moon, be in the forefront of the Civil Rights Movement, why can't government solve a lot of our other problems?" Hence government has been associated with a whole array of social and economic policies in areas that would have been unimaginable a few generations ago.

But that centralising trend is now over. The Cold War is over and it will be a while before we face the kind of mortal perils that really really scarred this century. At the same time, we are entering a new economic era that is ready for the return of power back to individuals, away from what you might call the centre.

This new era is symbolised by the micro-chip which you might say is extending the reach of the human brain the way machines expanded the reach of human muscle during the industrial era. For example, if you learn to drive a tractor, you can do more physical labour in a day than a 100 Herculean ploughman could have done in a month. In this new era the micro-chip is making us all brighter, smarter, and more in control. We are all more genius-like. Even if we have flubbed around in school, the micro-chip is going to make us look smarter. A lot of people fear that in this new era if you are not up on high technology or are not some kind of computer nerd, you are going to be left behind. Absolutely untrue.

One of the virtues of a free enterprise system is that you succeed most when you provide a product or service that people find simple and easy to use. A good example is the calculator, one of the early fruits of the micro-chip era. Thirty years ago calculators cost well over a thousand dollars. Today the packaging costs more than the gizmo itself. If you had trouble with your sums when you were in school you didn't have to worry about it as much as you once might have. A calculator is now simple and easy to use. Anyone can learn how to use it and all of us can now do in a matter of seconds or minutes the kind of mathematical computations that would have taken math whizzes hours or days to do 40 or 50 years ago. We now think it's the most natural thing in the world.

This will be an inclusive era. Just as you don't have to be an engineer to buy and drive an automobile, you don't have to be an architect to buy a house; you don't have to know anything about aerodynamics to buy an aeroplane ticket and travel around; in this new era you don't have to know anything about MIPs or bytes or whatever to be able to participate in it. It will be, should be, an inclusive era.

With the end of the Cold War there was an era of reform. In the nineteenth century there were a series of movements, religious movements in North America, both Canada and the United States, that in effect tried to improve the way people lived. In 1820 in the United States, our alcoholic consumption rates were about five times per person what they are today and back then everyone took a swig from the jug. They called it hard cider in those days but it had nothing to do with what you buy today when you talk about cider. This was high-proof, high-octane booze and when kids went to school they certainly didn't have milk and crackers. They took a swig from the jug too, especially on the frontier. By the late 1820s much of the nation by noon-time was kind of in a haze and while we chuckle about it today it did have all the predictable social consequences. As a result, there arose a series of religious movements that said that if you want to have a self-governing nation it must be inhabited by self-governing individuals. The first public health movement in the United States didn't come from a government agency but from the temperance movement and it worked. Within a generation alcoholic consumption fell by two-thirds. The 1830s saw in our country the rise of a series of religious movements known as the second great awakening and saw the rise of the abolition movement against slavery, the Sunday school movement and a whole array of forces that really went on into the nineteenth century.

When you go around the United States today you do sense there is a kind of new reform, a new kind of awakening, a desire to improve the quality of life. You see it in a host of areas. You saw it in the tone of our welfare debate last year which wasn't about money but about the fact that the current system was destroying the very people it was supposed to help and save. You see it in the crime rates in New York City. Why have they fallen 50 per cent in four years? Part of it is much better policing but also it's really people saying: "We're not going to put up with this anymore. We are not going to be passive about it. These forces are not beyond our control." You see it in the ministries in some of our inner cities that are doing work with young people and having some remarkable unpublicised successes. You are going to see it this weekend in

America when several hundred thousand men march on Washington. They are called the promise keepers who are saying in effect: "We are going to live up to our responsibilities"—very much of a change from what you saw in our country 10 or 20 years ago.

There is a series of reform movements sweeping America, trying to improve the quality of life, trying to improve the tone of the culture. There is unprecedented security in the world with one superpower, fortunately a soundly based democracy, entering a new economic era that truly does liberate people, giving them more choices and more control over their lives. This series of reform movements is trying to deal with some of the seemingly intractable social problems in the United States. The ingredients you might say are there for an extraordinary era ahead. We can finally get back on track where we were before the catastrophe of the First World War.

What are some of the reforms that we need to make to truly realise these glittering opportunities? How do we remove the barriers and obstacles that stand in the way? Let me touch on some of the things that have to be done.

Let me touch first on some domestic things that have to be done. I think they will have resonance in Canada as well. You can have an enormous impact on people's lives through excessive regulation. It doesn't cost much to print the decree but it can have an enormous impact on how lives are lived and businesses are conducted. In the United States we have been trying for several years now to deregulate our telecommunications industry. Unfortunately we have thousands and thousands more words and regulations, that are really hobbling what truly should be a free-for-all. There are enormous technologies being introduced, especially with the increase in band width—enormous technologies that should make possible some extraordinary advances. For example most of you have PCs and you know you need an operating system inside the PC. (Bill Gates wants you to have a particular one.) It won't be too many years, because of what is happening in the revolution of band width, before you will be able to simply pull out of the air the operating system that you want at that particular moment. You won't have to carry it around with you. You'll simply take what you need when you want it which means that the size of your PC will be infinitely smaller if you so desire.

The quality of life is going to improve enormously with this technology. I'll just give you one example. Most of you have had dealings with young kids; raising young children. You know how it is at the end of the day when you have been around small children. You want to talk to a real adult. The problem is that at the end of the day real adults are in no condition to talk either after their long day so in the evenings there are not too many sparkling conversations in most households. Well it won't be too many years before you will have your video-conferencing PC and you will be able to really talk to somebody on the other side of the world with a 10- or 12-hour time zone difference. You won't have to worry about who's sitting next to you. You can talk to some sparkling personality who's just beginning his or her day and you won't have to worry about a jealous partner or spouse because it is 10,000 miles away. No soap operas are going to rise from this, we hope, so the quality of life is going to improve enormously.

What this amounts to is that regulation can do enormous harm in terms of these advances. We are now just grappling in the United States with deregulating electricity and other areas. Regulation can slow the pace of these changes. The old order, human nature being what it is, always tries to preserve what it knows and in the United States we have seen in telecommunications the obstacles that can come in the way of realising some of these glittering opportunities.

Regulation can take on a crazy life of its own. In the United States we have something called the Disabilities

Act—a seemingly sensible piece of legislation giving people more opportunities; not denying them opportunities simply because of a physical disability. Sensible thing to do; right thing to do especially in this new era. But look how the government interprets it. Remember the Valdez bill a few years ago. Exxon's Valdez supertanker bill. After that spill Exxon put in a rule that people who were alcoholics or who had drug problems were not going to be allowed to become captains of supertankers. Seemingly sensible thing to do. I certainly hope they have that for aeroplanes. However the federal government is suing Exxon for violating the Disabilities Act. Some of you have heard of the Endangered Species Act. When you think of endangered species you think of whales, eagles, rhinoceri, or elephants—real animals. In California (true story) they wanted to build a hospital in a particular part of California but the regulators discovered what they thought was some sub-species of the common fly. One has never thought that the common fly was in any kind of danger of extinction but in California they thought they had found a new cousin of the fly and so they delayed construction of this hospital for four years. They finally had to set aside a 15-acre reserve for the flies. They counted 12 of them and this is absolutely true. There's an adjacent highway, the regulators actually proposed closing to vehicular traffic for two months of the year so that the flies would not be wind-shield challenged when they crossed the road. Absolutely true.

Another area for reform is the area of American law. I don't think it has got quite as bad up here as it is in the United States. The craziness in our law right now is resembling a lottery. Fortunately the American people are in a mood for reform. In states like Alabama and Texas which have been some of the most abusive states in terms of perverting the law, people have elected judges who have gone against what we call the trial bar in the United States.

Another area for reform which has relevance to Canada is what we call entitlements. In Western Europe especially, the whole area of entitlements is clogging the arteries of nations such as France and Germany. In the United States I think we can help show the way and if we don't other countries will.

Health care. Ask yourself a very simple question: "Why is it that health care, a growing demand for health care, is considered a crisis? Why is it that the experts moan and groan when longevity tables go up?" Instead of celebrating that we live longer they say: "Oh my goodness, my God, these people are going to live longer; they are going to want more of this, more of that; it's terrible and what a catastrophe." Yet in the normal world when demand for something goes up, whether it is software, cargo, clothes or food or whatever, we think: "Gee that's pretty good; that's good for the economy." When the headlines say: "Auto sales are up," everyone says: "Oh that's good for the economy. It's good progress." But when health care goes up, moaning and groaning goes up with it. Disaster. Each country has organised its own kind of health-care system in its own way but you don't have consumerism in health care. Don't say you can't have people having more empowerment, more choice in health care because they can't understand medicine. You don't have to be an engineer to be able to make a choice of automobile.

Even more basic than health care is food. Without food you don't have much of anything and yet we don't have a food crisis. If it's a crisis it's because we are growing too much of the stuff; not the other way around. In American health care we devised not a national health-care system but third-party pay. In America you can buy health insurance as an employer with pre-tax dollars. It's a tax deduction. If you buy it as an individual you have to use after-tax dollars. So most private health insurance in America is bought by the employer. What that means is that even though that money is counted as part of your income you have very little choice on how those dollars are spent. You don't think it's your money and you really have no control over it. If you are careful about health care or careless it doesn't matter. You treat it like everybody else in terms of cost with no sense of accountability. You get a top-down system which we have in Medicare and more and more in managed care in America.

The answer is a device called medical savings accounts which returns true control to the individual, true control back to the doctor-patient relationship, and it gives people more control. First it restores genuine catastrophic insurance. Right now most health insurance is pre-paying next year's expenses which means you eventually have a system that is hostile to innovation because innovation can initially be very expensive. Medical savings accounts give you catastrophic insurance at a very cheap rate because you are not encumbered with dollar for dollar coverage. It also gives you a sum of money, say $1,500 or $2,000 a year in an account like cash that you can use for routine expenses. If you can find a medicine cheaper at drug store A rather than drug store B, that's money in your pocket. We've tried a variation of it at Forbes magazine for six years with more control back to the people, making them realise it's their money that's at stake. Our cost per person is less than it was six years ago and not one of our people is in managed care.

Consumerism works. When they realise it's their money, they ask questions they would never have asked before; they demand accountability of the providers they would not have demanded before. It works. And that's what should be done to our Medicare system and eventually it should be done around the western world. That way you get off this terrible treadmill of ever-rising costs and a real decline in the services that are available. We have go to get off that deadly treadmill.

In social security Britain is already on the way to a semi-privatised system. In America, we have a system that is going to go bankrupt in the next century as people of my generation retire. Why not, while we still have time, phase in a new system in which the payroll taxes of younger people go into their own individual retirement accounts? Take it out of the political system, return it back to people and that way they'll have three to five times more of a pension in their retirement than they could possibly get from the kind of bankrupt ponzy scheme system that is prevalent in much of America. They say we can't afford such a system. Not true. If you look at the unfunded liabilities of these systems in America our national debt is $5 trillion, but the unfunded liabilities of social securities is about $10 trillion, so even though it's not counted as part of the national debt it is a national financial obligation right now and I guarantee you that phasing in a new system will be infinitely less costly than the cost of having the same bankrupt system collapse in the next century.

In those two areas, health care and pensions, we should get in the dynamic of this new era. The dynamic of the machine age was bigness—big companies, big cities, big unions, big government. The dynamic of this new era is back to the people, back to individuals. There's no reason why so-called fringe benefits shouldn't be in the hands of individuals. If you wish to move, you take them with you. Your pension is yours. Your health care is yours. You aren't beholden to any government, not beholden to any employer. It's in your hands and you'll have more than you can possibly get from the self-centred system that we have today.

Another area of fundamental reform is the area of taxation. Taxes are the biggest dead weight on business life and family life. Just remember one thing about taxes. Taxes are not just a means of raising revenue. Taxes are also a price, a burden. The tax you pay on income, profit, and capital gains is the price you pay for working, the price you pay for being productive, successful, willing to take risks, and the proposition is very simple. When you lower the burden on those good things, you get more of them, certainly when the tax collector comes around. You raise the price on those good things, you get less of them. And in the United States within the next five years there will be a drastic overhaul of our tax code. It has truly got out of control. Nobody knows what is in it anymore. A national magazine earlier this year did a survey. They took a two-income family's finances, nothing very complicated, sent them to 50 different tax preparers, and got back 50 different tax returns. Nobody knows what is in that beast anymore.

Just to give you an example. The Holy Bible which took a few years to put together runs a total of 773,000 words. America's federal income tax code is seven and a half million words and rising. If you want compliance, if you want long-term growth and prosperity, give people a simple code, an honest one, and you'll find that compliance goes up and you get more growth with it. It means a loss for the political centre but everyone else gains from it. In the United States I think we will get the flat tax which has generous exemptions for children and for adults. A family of four in America for example would pay no federal income tax on their first $36,000 of income and then a flat 17-percent rate on earnings above $36,000 and the system would end up generating more revenues than the monstrosity we have today. It works and its virtue is apparent—the more you make, the more you pay. It is that simple. You are not going to get around it. All income is taxed, taxed once, taxed at the source.

On the foreign policy side let me just give out one reform. And that is the advice that we give. It's prevalent not just in our treasury department but also at the International Monetary Fund and with too many finance ministries in the western world. It's the equivalent of the way medicine was practised 200 years ago. As you know 200 years ago, when you got sick, doctors used to bleed you. That of course got rid of the pain and suffering because it usually got rid of the patient. What economic doctors do today is the equivalent of what happened 200 years ago. When a country gets into trouble what does it do? It recommends a devaluation which fuels domestic inflation. To balance the budget, political elites normally raise taxes which crushes your rising middle class. It is a kind of austerity, mindless austerity, that ends up doing immense harm in the name of making the patient well.

We have for example a currency crisis in South East Asia. I am amazed it took this long to happen but it is very clear what needs to be done there. They do need sensible exchange rates but they also need more transparency in how their economies operate. Japan is making that painful transition to more openness in this new era. It has taken them six years of near recession to do it. But openness is the key and let me just give you four basic principles that the IMF and others should follow when these countries get into trouble. We should follow it too. If we are going to give advice at least give good advice.

One is sound money. If you want to avoid inflation people have to have faith in the currency.

The second is low taxes. Look at Hong Kong. We are all familiar with Hong Kong. Fifty years ago, $200 per-capita income. They've gone from $200 per-capita income to just about the highest in the world. They had a variation of a flat tax and for 40 years the growth rate of their revenues has been consistently the highest in the world. You want to create an environment in which you can collect more and that means lowering the tax burden, not raising it; making it simple and transparent.

The third is property rights and the rule of law, whether it is intellectual property or physical property. Why is it for example Mexico with so much oil has so little exploration? If you discover oil in Mexico in your back yard, you don't look forward to a nice royalty. You know you are going to lose your property. It's that simple. Some incentive to find the stuff!

And finally, no bureaucratic interference. It's amazing that in many countries in the world today it is very difficult to set up a legal business. And then they wonder why they have all these informal economies. Well if you make it hard for people to go legit don't be surprised if you don't get as much legitimate business as you should. Make it simple and it will emerge and you'll suddenly find your GDP growing not just because the economy is expanding. A lot of business that was off the books begins to go on the books again when people realise they are not going to be destroyed or punished for being successful or trying to work within the system.

So those are basic reforms for the new millennium. Part of the burden is on the United States to rise to the occasion and not go isolationist the way we did in the twenties and thirties. We should remember; you should encourage us too.

You should fulfil your responsibilities too. What has happened to your defences is really pathetic in the way you have let them run down. While we don't face the Soviet Union we do face a dangerous road.

Just remember after World War I, for a brief time, democracy was the prevalent form of government in much of Europe. After World War I some 25, 30 countries adopted various forms of democracy but by the mid-1930s, with a couple of exceptions, they'd collapsed in every one of those countries. Whether it was Hungary, Romania, Bulgaria, Poland, Lithuania, Latvia, Estonia, Portugal, Brazil, Yugoslavia, Greece, Turkey and most ominously Japan and Germany, democracy was a form of government in those countries and everywhere it collapsed. If we don't help create an environment where democracy can sink real roots, don't be surprised if bad forces arise.

Domestically I have mentioned a lot of ways to get into the spirit of this new era, symbolised by the micro chip. They all have the common thread or theme of trusting in the real basis of democracy which is the belief that we are responsible enough to handle our own affairs whether working alone or working together. The real basis of democracy is the belief that seemingly ordinary people can achieve over time extraordinary deeds if they are allowed and encouraged to take responsibility for themselves, for their families and for their communities.

Can we realise these glittering opportunities? I'm an optimist. I think you are too. I believe when historians look back on this era they'll conclude that the democratic nations will have risen to the occasion. We will have done things more right than wrong and we will have a rich heritage to pass on to future generations. Thank you very much.

October 9, 1997

Peter Hogg

Scholar in Residence, Blake Cassels & Graydon and Professor of Law, Osgoode Hall Law School

Donny Peterson

Proprietor of Heavy Duty Cycles and Member of the Para-Dice Riders Motorcycle Club

THE PARA-DICE RIDERS CHARTER CASE AGAINST POLICE ROADBLOCKS

Chairman: **Gareth S. Seltzer**
President, The Empire Club of Canada

Head Table Guests

Willis Blair, Secretary and Director, The Empire Club of Canada and a Member of the GTA Mega City Transition Team; Michael Le, Honour Student, Central Commerce Collegiate Institute; Rev. Kim Beard, Rector, Christ Church, Brampton and a Director, The Empire Club of Canada; Robert Girvan, Barrister and Solicitor and Counsel to the Para-Dice Riders Motorcycle Club; Alan Borovoy, General Counsel, The Canadian Civil Liberties Association; His Honour Justice Charles L. Dubin, Counsel, Tory Tory Deslaurier and Binnington and former Chief Justice of the Ontario Court of Appeal;

Sir Stephen Sedley, Justice of the High Court, England and one of England's foremost constitutional lawyers; Marilyn L. Pilkington, Dean, Osgoode Hall Law School, a Past Member of the Canadian Human Rights Tribunal and Author of numerous well regarded legal papers; and Edward Badovinac, Professor, Electronics Telecommunications, George Brown College and a Director, The Empire Club of Canada.

Introduction by Gareth Seltzer

Today we have a great opportunity to hear from two very articulate citizens on both the strength and the flaws of the Charter of Rights and Freedoms in Canada.

It's been said that democracy is the art of running a circus from the monkey cage. It is difficult indeed to find a balance between individual rights and order. And the vehicle to guide that order bears the weight of an entire nation. As Charter challenges appear frequently in our courts, we must ask ourselves, are we as a nation more equipped as self-government and justice or impaired by an imperfect document? On might argue that we have yet to find the answer.

Today, to illustrate both the character of the Charter and the use of the Charter, we have two very different guests. Today we will hear from Donny Petersen, who owns and operates one of North America's most well regarded Harley Davidson custom shops and has been a Harley enthusiast since childbirth. As a member of and spokesman for the Para-Dice Riders Motorcycle Club, he is perhaps a surprising candidate to grace our podium. I do know that he went to special lengths to dress up for our forum! Mr. Petersen has spearheaded a legal challenge with the club, based upon the terms of the charter, challenging the right of the police to arbitrarily detain individuals without due cause under law. It's an issue that will have likely a broad impact on civil liberties across Canada and perhaps elsewhere and an example of the function of the Charter.

Before Mr. Petersen speaks, I am honoured that we will first hear from Mr. Peter Hogg, Canada's foremost constitutional expert, being cited twice as many times as any other author at the Supreme Court of Canada. Mr. Hogg is unquestionably the most highly regarded professional in this field and has been called upon to provide constitutional counsel here in Canada and abroad at the highest level of governance. Mr. Hogg has received numerous awards and has been recognised nationally for his legal papers and undoubtedly today's prestigious head table and guests in our audience are drawn by Mr. Hogg's attendance here as a guest of the Empire Club of

Canada. Mr. Hogg, a recipient of the Teaching Award in Excellence at Osgoode Hall among many other awards of merit, will address the most fundamental of issues with respect to the Charter—that is, "Is it a good thing?" I can think of no finer manner in which to initiate this discussion than to hear from this scholar. Please welcome to the podium, Mr. Peter Hogg.

Peter Hogg

The title of my talk today is Democracy and the Charter of Rights. I want to start by posing a question: "Is the Charter of Rights a bad thing?"

The view that the Charter of Rights is a bad thing is commonly based on an objection to the legitimacy of judicial review in a democratic society. The objection is this. What the Charter does is to confer on judges the power to strike down laws that have been made by the duly elected representatives of the people. Since judges are neither elected to their offices nor accountable for their actions, this power is not a legitimate one in a democratic society.

Now I should point out at this stage that a majority of Charter cases do not involve challenges to actual laws. Most of the cases are challenges to the actions of the police, usually complaining about a denial of the right to counsel or an unreasonable search and seizure or an arbitrary arrest or detention. That is the complaint of the Para-Dice Riders that Donny Peterson will be talking about after me. These kinds of cases do not raise an issue of democracy because the court is not reviewing the policy set by Parliament or the legislature when it reviews the actions of an individual police officer. So it is not surprising to find that the challenges to individual actions by police are the most common kind of Charter complaint, and the one that has the highest success rate.

But since the adoption of the Charter of Rights in 1982 there have been 66 cases in which the courts have struck down a law that was enacted either by Parliament (43 laws) or by a provincial legislature (23 laws). It may seem surprising that more federal laws have been struck down than provincial laws, especially as with 10 legislatures there are many more provincial laws than federal laws. The reason is that the field of criminal law is a federal responsibility in Canada (it is a state responsibility in the United States and in Australia) and the criminal law is more likely to impinge on individual civil liberties than the civil laws that are passed by the provincial legislatures. I won't list all the laws that have been stuck down, but just mention some at random to give you a flavour of the activism of our courts, particularly the Supreme Court of Canada:

- Many provisions of the Criminal Code, including the therapeutic abortion provisions, the felony-murder provisions, the habitual criminal provisions, the automatic committal of persons found not guilty by reason of insanity, the rape shield provisions restricting the cross-examination of rape victims, the offence of living off the avails of prostitution, the offence of wilfully publishing false news (Zundel's victory), the jury selection provisions, the bail provisions, the rule that intoxication is not a defence, the offence of loitering in public places frequented by children;
- Various provisions of the federal Elections Act, including the disqualification of judges and prisoners, the prohibitions of third-party expenditures during an election and of advertising and polling just before an election;
- The search and seizure provisions of the Competition Act and the Income Tax Act;
- The refugee determination provisions of the Immigration Act;
- The federal Lord's Day Act prohibiting work on a Sunday;

- The federal prohibition of tobacco advertising;
- Quebec's law requiring children of Canadian citizens to go to French schools;
- Quebec's law requiring all commercial signs to be solely in French;
- Ontario's requirements for religious instruction in schools;
- Ontario's censorship law;
- The rules of the Alberta Law Society barring out-of-province law firms from establishing in Alberta.

This short and incomplete list is enough, I think, to give some reality to the concern that our courts have become a significant branch of the government without any of the safeguards of democratic election and accountability.

However, now I want to add another fact, which is much less well known. I have traced the legislative sequels to each of the 66 decisions in which a law was struck down on Charter grounds, and I have found that in two-thirds of the cases (44 of 66) the decision was followed by the enactment of a new law. Sometimes the new law was narrower than the old one, because the Court had said that the old law was more restrictive of individual liberty than it needed to be to accomplish its purpose, and what was needed was a narrower law (e.g., tobacco advertising and sponsorship). Sometimes the new law was broader than the old one, because the old law conferred a benefit (e.g., unemployment insurance) and excluded a group from the benefit (e.g., persons over 65) who had a constitutional equality right to be included; the new law included the excluded group. Sometimes what was needed was a fairer procedure (e.g., to determine who are legitimate refugees, to search for and seize evidence of income tax evasion).

My point is this. It is very rare that the constitutional defect just cannot be remedied at all, so that the legislative project has to be abandoned. In the 22 cases where the law was not re-enacted, the law was either repealed or no legislative sequel followed. But, even in those cases, there was usually a solution available to the government, and it was the deliberate choice of the government to abandon the old law that had been struck down.

Why is it usually possible to re-enact the substance of a law that has been struck down because it violated the Charter of Rights? There are three features of the Charter of Rights that make this possible.

One is the override power of s.33, which enables Parliament or a legislature to overcome the Charter of Rights simply by inserting a notwithstanding clause in the new law. That radical power has turned out to be unimportant, because governments have been reluctant to use it, except for Quebec, which used it to protect its language-of-signs law.

The second is the limitation clause of s.1 which provides that the rights may be limited by a law that is a "reasonable" limit on the right, and one that is "demonstrably justified in a free and democratic society." Whenever a court strikes down a law for breach of the Charter of Rights, the court has to find not only that the law infringes a guaranteed right but also that the law is not a reasonable limit that is demonstrably justified in a free and democratic society. In making the latter finding, the court will give reasons and those reasons usually indicate what kind of alternative law would be a reasonable limit in a free and democratic society. That alternative law is available to the legislative body.

The third feature of the Charter of Rights that makes it possible to re-enact invalid laws is the fact that many of the rights are expressed in qualified terms. For example, section 8 guarantees the right to be secure against unreasonable search and seizure. Section 9 guarantees the right not to be arbitrarily detained or imprisoned. Section 12 guarantees against cruel and unusual punishment. When a qualified right is infringed, the invalid law can usually be replaced by one that is not unreasonable, or not arbitrary, or not cruel and unusual, without abandoning the main point of the invalid law. In the unreasonable search and seizure cases, for example, which have been numerous, the Supreme Court of Canada has ruled that a search and seizure is reasonable if it is authorised by a search warrant issued by a judge on the basis of some evidence. This ruling has enabled Parliament to repair a number of defective powers of search and seizure.

It is because of these three features of the Charter of Rights that governments have so often been able to overcome a decision striking down a law on Charter grounds. I like to think of the decision and its legislative sequel as constituting a dialogue. The effect of the decision is to cause a public debate in which the Charter values play a more prominent role than they would have done if there was no judicial decision. The legislative body is then in a position to devise a response that is properly respectful of the Charter values that have been identified by the court, but which still accomplishes the social or economic objectives that the judicial decision has impeded. To be sure, the court decision may have forced a topic onto the agenda of the legislative body that the legislators would prefer not to have dealt with. And, of course, the terms of the new law will have been powerfully influenced by the court's decision. These are constraints on the democratic process, but the final decision is the democratic one.

My conclusion is that the Charter of Rights is not such a bad thing. It tends to act as the catalyst for a two-way exchange between the judiciary and the legislature on the topic of civil liberties, but it rarely raises an absolute barrier to the wishes of democratic institutions. In the end, if the democratic will is there, the legislative objective will still be able to be accomplished, albeit with some new safeguards to protect individual liberty. The Charter of

Rights does not block the democratic will, and the democratic objection to it cannot be sustained.

Donny Peterson

Good afternoon. While we were singing "O Canada," I was thinking that to be born and/or to live in this country God has given all of us two aces in the poker hand of life from the getgo. It is within this context that I wish you to view my ensuing comments. By the way, I don't normally dress this way (in a suit) but that will teach me as I have left my speech in my black leather jacket at home.

I have been a Para-Dice Rider for 26 years and I must say that Para-Dice Riders are unlikely Charter candidates. No one is going to feel sorry for a motorcycle club launching a suit against a police department. This is the bad guys against the good guys. But we have been painted into a corner. The only problem is that we are not holding the paint brush. We only want access to a property that we own but are denied free entry to by the police. This is all we want now and it's all we have wanted all along. We do not want to hamstring the police from pursuing their legitimate duties. We are not interested in changing laws or setting case precedents. We do not want to change the law here in Canada or in the United States. All we want is to get into our property without being blockaded.

Here is how this relates to you and the rest of North America. There is no case law either here or in the U.S.A. dealing with how police are able to stop and monitor groups of people. Police departments everywhere use roadblocks to monitor and arbitrarily detain citizens including motorcyclists. As this case winds its way into the Ontario Court of Appeal next spring and then on to the Supreme Court of Canada, new law is going to be enshrined on how police deal with different groups that thread their way through our society and how police deal with divergent groups such as Aboriginals or congregating union members such as those at the Queen's Park demonstration last year. There are hundreds of examples that we could draw upon.

Lets get to the heart of the case, the Para-Dice Riders are involved in. We, by that I mean the club members, purchased a Power of Sale Marina on the southern shore of Lake Scugog in the tiny hamlet of Caesarea a few miles east of Port Perry in 1990. This Marina was purchased to be a recreational spot for our club members, their families and invited guests. It is not operated as a business. There are only two roads that lead into the hamlet and they dead-end there. About 70 to 90 police officers will congregate here and operate roadblocks with the express purpose of stopping our membership and their guests. Overhead, sometimes a small police plane will circle above the Marina. At other times it will be a police helicopter. On the lake in front of our facility two police boats, one from Durham, the other from the OPP, will operate in order to stop everyone leaving or entering our Marina. In Port Perry, at the local docks, one or two police cars will stop any sneaky bikers from attempting to gain access to the Marina by water.

The roadblock, more correctly described as a blockade, is comprised of RCMP down to local departments. Officers from as far away as Sudbury and Hamilton have been observed as well as visiting American police observers. There are uniformed officers with their patrol cars and there is a fully dressed SWAT team carrying weapons that range from four-foot truncheons to automatic weapons as in machine-guns. Plain-clothes officers seem to direct the actions of the rest. There is a ram vehicle which is an old Brinks truck fitted with an hydraulic ram. There are dogs and their handlers, paddy wagons and a weapons truck. All of this is for such nefarious crimes such as failure to sign your ownership or having a scratch on your helmet.

You'll read ongoing items in the media such as 130 Para-Dice Riders were charged last weekend with various offences. The media propagates this type of biker mythology and the legend of badness grows. I've told you the types of crimes and now I'll let you know that the vast majority of these charges have been either withdrawn by the Crown Prosecutor or have been put into limbo awaiting the outcome of our constitutional Charter challenge. Now, if you are riding a Harley Davidson, you are pulled over into a vacant lot to be processed. Likewise if you are in a car or truck and affect biker lifestyle dress. But if you are on a Yamaha motorcycle you are waved through as you are if you appear to be "normal."

You're pulled in. What happens next? After surrendering your documentation, you are processed for any perceived infractions. Your demeanour is written down as is whom you are hanging around with. And you are still photographed as well as videotaped. During our trial, I realised that it is unlawful for police to photograph or videotape you while you are being arbitrarily detained. We tried to roll this issue over into our trial with the able assistance of our lawyer Robert Girvan. The video evidence of the police was already there as were our videotapes showing this unlawful behaviour. Their witnesses were already there as were ours and this was all the same evidence that would allow a decision on both issues—the detainment and the picture taking while being detained. Well Judge Ferguson ruled that a separate trial would have to be held to decide the picture-taking issue! Our legal advice indicated that in the worst-case scenario, the cost could approach $300,000. I know bikers are supposed to be rich but the Para-Dice Riders do not have this much money. We would lose our properties and more under this scenario. So, we were forced to drop it and continue to fight the arbitrary detainment challenge.

Let's back up a bit. We wanted to be accepted by the community and to co-exist in a friendly way. Before any thought of going to court we arranged a meeting with the Durham Police to conciliate our problems. It was attended by a Superintendent and five or six other officers. I felt that we were developing a rapport and left confident that once the police addressed their concerns for public safety the roadblocks would come down. After all the Superintendent indicated if there was no trouble, the police resources would be utilised elsewhere. Well, the roadblocks continued unabated.

We then went for an injunction to stop the roadblocks but this became a constitutional challenge. The ante kept getting raised and not by us. We even tried to call it off with the concession they give us uninterrupted access to our Marina at the beginning of the lower court trial. "No way," they said. So here we are determined to go on. Just as they are.

I could go on a long time about this subject and what has happened to us but I'll end my talk by discussing whether there is justice in Canada. If you have access to wealth or a Pro Bono lawyer, if you are patient and have seven years to deal with this instead of being out making a living, if you are stubborn and if you have courage (going up against a powerful institution like the police can be detrimental to your future well-being), well then it is true there is access to justice in Canada. However, if you don't have $300,000 to challenge unlawful photography while being detained then in this case access to justice is denied.

Thank-you very much for listening to me today. It has been very educational for me. It can be very strange where you wind up in life. Thank you, again.

The appreciation of the meeting was expressed by Gareth Seltzer, President, The Empire Club of Canada and Vice-President, Guardian Capital Inc.

October 16, 1997

Bobbie Gaunt

President and CEO, Ford Motor Company
of Canada, Limited

THE CANADA-U.S. AUTO TRADE PACT

Chairman: **Gareth S. Seltzer**
President, The Empire Club of Canada

Head Table Guests

Diana Chant, C.A., Partner, Price Waterhouse and Treasurer, The Empire Club of Canada; Stien Lal, Deputy Minister, Consumer and Commercial Relations, Government of Ontario; Mildred Istona, Associate Editor, The Hamilton Spectator, formerly editor of Chatelaine magazine; Alf Powis, Director, Noranda Inc. and Member of the President's Advisory Council, Ford of Canada; The Hon. William G. Davis, P.C., C.C., Q.C., Tory Tory DesLaurier and Binnington, Member of the President's Advisory Council, Ford of Canada and the Honorary Solicitor, The Empire Club of Canada; Her Worship, Ann Mulvale, Mayor of Oakville, home of Ford of Canada; Blake Goldring, President and COO, AGF Management Limited and a Director, The Empire Club of Canada; Rev. Christopher King, Rector, Little Trinity United Church; Dezso Horvath, Dean, Schulich School of Business, York University; Christine Smith, Chair, Canadian Breast Cancer Foundation, National and Ontario Chapters, instigators of "Run for the Cure"; Michelle Whyle, an all-round "top" OAC Student at Danforth Collegiate and Technical Institute; and

John Sadler, Senior Vice-President, Newcourt Credit Group and a Director, The Empire Club of Canada.

Introduction by Gareth Seltzer

Some months ago, I was approached by one of our Past Presidents who was very pleased to hear of Ms. Gaunt's appointment. She raised the issue that Ms. Gaunt is the first female to hold the title of Chief Executive at Ford of Canada—and Catherine Charlton, who proposed we invite Bobbie Gaunt, was the first female manager at Ford of Canada and the first woman president of the Empire Club of Canada since its inception as Canada's foremost forum of public record in 1903.

Charlotte Whitton said that whatever women do they must do twice as well as men to be thought half as good. "Luckily," she said, "this is not difficult." In today's competitive environment, there has been a convergence of market intellect, work smarts, street smarts and the stubbornness necessary to succeed which has driven the best to the forefront of Canadian business. Our head table itself is a reflection not only of our audience, but of excellence in service to business and industry, to our community and to social responsibility.

Bertrand Russell said there are two kinds of work. The first, altering the position of matter at or near the earth's surface relative to other matter; the second, telling other people to do so. The first kind is unpleasant and ill-paid and the second is pleasant and highly paid. Bobbie Gaunt may be at the top here in Canada, but she has earned her position by moving a lot of matter around. She has talked publicly about trying unsuccessfully to join both GM and Chrysler but found they were not taking women into their management training programmes. At Ford, she was told the company was changing its policy to admit women to its training programme—and so Ms. Gaunt was hired as a stenographer—and was to be first in line when the policy changed. Now, 25 years and 20 different jobs later, she is the "grand pooh bah" of Ford of Canada.

Active in community organisations and in the fight against breast cancer, Ms. Gaunt is an example to us all. Interestingly enough, Henry Ford II spoke to the Empire Club in February 1981 and the Empire Club of Canada is delighted to ask Ms. Gaunt, President of Ford of Canada, to address the Club today.

Bobbie Gaunt

Thank you, Gareth, for your kind introduction and for giving me the opportunity to speak to the members and guests of the Empire Club on a subject that I believe has significant implications for Canada and its economic well-being.

You referred to the pioneering role of women in business. In the relatively short time I have been in Canada, I have encountered firsts for women in various activities. Last month, for example, I was introduced by the first woman to lead the Canadian Chamber of Commerce after 71 years, Carole Lafrance, who founded and built a very successful human resources company into a multi-million-dollar international enterprise. I recently became aware that Catherine Charlton was the first woman president of your Club, and that she had also been a pioneer in management at Ford of Canada before going on to other business pursuits.

Ford's involvement with the CIBC "Run for the Cure" for breast cancer research a few weeks ago also brought me into contact with many more women who have led the way in their respective fields. I share the pride of these accomplishments and salute the achievements of Canadian women on behalf of all women. My own philosophy is that I want to be judged by my performance as a president, who happens to be a woman, and not as a woman, who happens to be a president.

October is a reflective month for those of us in the automobile industry, and not because of what the stock markets might or might not do. It marks the start of a new model year, when hope springs eternal and rosy predictions pour forth in abundance.

When the books closed on the 1997-model year on September 30, combined car and truck sales by all companies totalled 1,356,000 vehicles and that was 17 per cent higher than the previous model year. It was a come-back year for the industry, reversing two straight model years of lower sales and reflecting stronger consumer confidence and continued improvement in the Canadian economy.

At Ford of Canada, we're forecasting even further improvement in the 1998-model year to about 1,380,000 or at most, 1,400,000 vehicles. The trend lines are definitely pointing in the right direction, but industry sales in Canada are still below the record model year of 1,563,000 set in 1988. As the new player on the Canadian automobile scene, I just want to make sure we keep moving towards that peak and that Ford of Canada makes a big contribution. So for business reasons, it seems like a good time to be coming to Canada.

On a personal note, my husband Bob and I were absolutely thrilled to learn we were coming to Canada. We had visited Canada many times and were anxious to spend some real time in your country. After six months, we have not been disappointed. I have received the warmest of welcomes from Ford of Canada employees, our dealers, our suppliers, representatives of the local, provincial, and federal governments, and the Canadian Auto Workers union. I would add the news media to that list, and while I recognise their role is not necessarily to extend warm welcomes, their reports have been fair and balanced with respect to my comments and activities.

I have come to a company with a proud Canadian heritage, a company that has continually strived to earn the loyalty of Canadian consumers for five generations now, and a company whose investments and jobs have helped provide Canadians with one of the highest standards of living in the world.

My inheritance from my predecessors and the 17,000 men and women employed by Ford of Canada and our 600 Ford and Mercury dealers has been most generous. They have handed me the reins of an organisation that has just completed the most extensive investment programme, by far, in our 93-year history—nearly $6 billion and 2,000 jobs created in Canada since 1990. In a way, they also have made the job more challenging because of the unprecedented growth in market share and customer satisfaction they have won in recent years. Those impressive achievements pretty well leave me, and our employees and dealers, with a simple strategy—to keep winning.

Although no one could have known at the time, the founding of Ford of Canada in 1904 was the beginning of a revolution that is sweeping trade and commerce today, particularly the auto industry. The revolution is called globalisation and it is in full flight wherever you go in the world. When you consider the fact that over the next 100 years, 98 per cent of the world's population growth will take place in Asia, Latin America and Africa combined, it's easy to understand the motivation for globalisation.

When I'm not in Canada, I spend a lot of time with a group of Ford men and women from around the world who are studying how the world is changing, how those changes will affect our company and industry, and making sure that Ford will be leaders, and not followers, as we enter the 21st century. It is easily the most intellectually stimulating experience of my 25-year career at Ford.

At Ford, we recognise that we have entered the greatest buyer's market in history—what is being called the customer revolution. The bottom line, of course, is intense competition and more intense competition. Some companies, familiar companies, won't be around in 10 years or less. Others will be combined and consolidated. The business news pages will report more and more joint ventures, partnerships and mergers.

The companies that win, and therefore remain, will keep trying to make things better, faster, with higher value, and more convenience and appealing for the customer. They will also be leaner, with fewer layers of management and minimal bureaucracy—thank goodness!

And they will be global in vision while retaining a strong focus on meeting the needs of their local market.

That's a thumbnail description of a process we began three years ago called Ford 2000. It has been described as the largest re-engineering effort of any company anywhere in the world. What we've done is consolidate our regional automotive operations into a single global organisation to increase economies of scale and share best practices throughout the company, worldwide.

How does all of this impact on the consumer? Information-age technology has allowed us to significantly improve the way we develop, manufacture, deliver and service our vehicles. Everything we do must maximise quality, value and timeliness of our products for our customers, or we shouldn't be doing it. And although Ford 2000 is a long-term process, we're already seeing good results. Strong gains in quality, productivity and customer satisfaction—combined with reduced costs—have led to the record worldwide earnings announced yesterday.

So if everything's coming up roses, should I be worried? When the late Henry Ford II spoke to the Empire Club 16 years ago, his remarks revolved around international trade and the challenges facing governments and industry to create free, but also fair, trade policies. He spoke of the Canada-U.S. Auto Trade Pact, signed in 1965, as being "the symbol of an enlightened approach to such concerns." Mr. Ford went on to say that "the mutual benefits growing out of the Pact represent one of the success stories of modern international co-operation." I can only imagine how Mr. Ford would react today as the Auto Pact comes under attack by import manufacturers seeking to change the rules after the game has begun. Having had the pleasure of meeting Mr. Ford much earlier in my career, I think his defence of the Auto Pact would have been immediate, direct and uncompromising.

So what's so special about the Auto Pact that makes it worth fighting for? It has been acclaimed as Canada's most successful trade policy in the last 30 years because it spawned the development of a world-class automotive parts and manufacturing industry in Canada.

Ford, Chrysler and GM signed commitments that we would produce at least one vehicle in Canada for each vehicle sold here, and that we would achieve a Canadian Value Added content of at least 60 per cent. We have exceeded those obligations by a country mile. Together, we have created a strategic, high-tech industry that is Canada's leading exporter and accounts for 12 per cent of Canada's manufacturing gross domestic product. Together, our Canadian plants have increased their share of total North American production from 7 per cent in 1964—the year before the Auto Pact—to nearly 16 per cent currently. And together, in the 1990s alone, we have spent nearly $400 million in R&D, another $400 million in high-tech training, and almost $5 billion in new-generation tooling.

What has the Auto Pact done for the Canadian consumer? Through economies of scale, Ford, GM, and Chrysler have been able to reduce costs and improve quality. This may be a little known fact, but did you know that vehicle prices in Canada are among the lowest in the industrialised world? Pre-Auto Pact prices in Canada were nearly 10 per cent higher than in the U.S. Today, prices in Canada are 7.4 per cent lower. In short, the Auto Pact and the domestic auto industry's record of overachievement with respect to its commitments have sown the seeds of economic growth and a high standard of living for all Canadians.

The opponents of the Auto Pact and its enormous benefit to Canada—namely, the import manufacturers, some government bureaucrats, and at least one editorial writer—raise some interesting questions from time to time. For example, Toyota and Honda assemble vehicles in Canada and employ Canadians, so why haven't they earned the right to import vehicles into Canada duty free like the Big Three?

Here are the facts. After more than a decade in Canada, their commitment to Canadian suppliers is marginal at best. In 1995, their purchases of Canadian parts was less than 4 per cent of total Canadian parts purchases, even though they accounted for 10 per cent of vehicle production in Canada and 12 per cent of vehicle sales. After the reduction in Canada's parts tariff in 1995, purchases by the transplant manufacturers and their affiliated tier one and two suppliers from Canadian parts suppliers actually decreased by almost 6 per cent.

The Big Three, on the other hand, continue to increase their business with Canadian parts suppliers and now account for 93 per cent of all of their sales, with a corresponding increase in employment in that vital sector of our economy.

Ford of Canada, along with Chrysler and General Motors, are fully supportive of efforts by the Automotive Parts Manufacturers Association, representing the Canadian parts industry, that is urging the federal government to reinstate the parts tariff to 2.5 per cent. The association said: "This will keep the industry competitive with the U.S. in terms of new plant location and at the same time encourage more parts purchasing in Canada by overseas-owned assemblers." Even if Honda and Toyota's contribution to the Canadian economy was proportionate to that of the Big Three, world trade rules do not permit the removal of tariffs on imported vehicles for Toyota and Honda alone. The tariff would have to be removed for all countries and all manufacturers, including those with absolutely no assembly or production presence in Canada.

And that brings me back to the overcapacity crisis. By the turn of the century, just three years away, world production capacity is forecasted to exceed market demand by 22 million units. That translates into 88 surplus plants, 88 plants whose employees will not be required, whose communities will be deprived of the purchasing power and quality of life generated by those jobs. To bring this stark picture closer to home, North American overcapacity accounts for six million of the 22 million vehicles worldwide that won't be built because there are not enough consumers to go around. And that means lights out permanently for 25 plants in North America.

Even closer to home, can you imagine the devastating impact of closing Ford plants in Oakville, or GM plants in Oshawa, or Chrysler plants in Windsor? It doesn't stop there. Supplier plants in places like Milton, Chatham, Hamilton, Peterborough, Mississauga—the list could go on—would also close shop, just as permanently.

Is this a doomsday scenario, a scare tactic by the domestic producers? Consider this fact. By 2001, production of vehicles in Korea will approach six million vehicles and the Korean market will absorb just two million of those vehicles. A wide-open North American market would be ideally suited for a large portion of the almost four million vehicles that can't be sold at home.

At the same time, Korea continues to restrict imports into its own market. How restrictive, you might wonder? All Canadian manufacturers shipped fewer than 500 vehicles into Korea in 1995, despite the fact we met all of their federal standards. At the same time, nearly 20,000 Korean-built vehicles came into Canada.

Should we even consider changing the rules in Canada, providing an open door to other countries such as Japan and Korea, the primary drivers of overcapacity, without an equal opportunity to compete in their markets? With one of the most open automotive markets in the world, is this the time to throw open Canada's market even wider—which is what Canada did in 1995 by removing the tariff on original equipment parts used by transplant assemblers, resulting in fewer parts purchased in Canada and more being purchased from their home countries?

Is this the time to dismantle the Auto Pact, widely regarded as Canada's most successful trade policy in the last 30 years? The elimination of the Auto Pact and its most favoured nation tariff on finished vehicles would result in a direct loss of government revenues, a reduction in Canadian parts sales, a flood of imports from offshore, and the potential closure of Canadian assembly plants. If the Auto Pact is dismantled, it is estimated that the negative impact on the Canadian economy over the next five years would be a reduction in the real GDP of nearly $10 billion and the loss of almost 120,000 person-years of employment.

It is inconceivable to me that today we would even consider dismantling the Auto Pact. Instead, my colleagues at GM and Chrysler and I believe that we should work closely with the Canadian government as it conducts its sectoral review of the Canadian auto industry, and continue to articulate our case to the Canadian people. The domestic auto industry is simply too important to the economic well-being of all Canadians to do anything less.

I remain hopeful that the Canadian government will agree that until fairness is the driving principle of trade agreements, the Auto Pact and its related vehicle and parts tariffs should be maintained as an instrument of growth and prosperity for Canada.

Rather than weakening, we should be strengthening the Canadian auto industry in the face of growing global competition and the harsh realities of severe automotive overcapacity. To that end, we are asking the federal government to:

- Restore the parts tariff duty rate that has been temporarily suspended;
- Maintain the present duty rate on finished vehicles; and
- Obtain reciprocal access to foreign markets before negotiating further tariff reductions.

Ladies and gentlemen, I am truly honoured to join the list of presidents of Ford of Canada to address your Club going back 50 years or more. I was interested to learn that the Empire Club has been providing a forum for diverse points of views since 1903. That was just one year before Henry Ford and a group of young Canadian businessmen, headed by Gordon McGregor, embarked on a venture that marks the beginning of the Canadian automobile industry as we know it today.

There were no guarantees that either your Club, or our Company, would survive its first few years, let alone most of the 20th century.

That we have both endured is a tribute to the men and women who have guided and supported the Empire Club. As for Ford of Canada, I believe it is a tribute to our employees, our dealer organisation, our loyal customers and certainly the foresight of our government for creating the environment in which we have been able and will continue to contribute to the national well-being.

Thank you for your interest and attention.

The appreciation of the meeting was expressed by The Hon. William G. Davis, P.C., C.C., Q.C., Tory Tory DesLaurier and Binnington, Member of the President's Advisory Council, Ford of Canada and the Honorary Solicitor, The Empire Club of Canada.

October 23, 1997

Kevin Benson

President and CEO, Canadian Airlines International Ltd. and Canadian Airlines Corporation

THE CANADIAN STORY AND UPDATE

Chairman: **Gareth S. Seltzer**
President, The Empire Club of Canada

Head Table Guests

Edward Badovinac, Professor, Electronics Telecommunications, George Brown College and a Director, The Empire Club of Canada; Rev. Philip Philips, Founding Chaplain, Lester B. Pearson International Airport and National Chaplain, Canadian Airports; Henry Eaton, Vice-President, Strategic Planning and Business Development, Baton Broadcasting Incorporated; Dominic D'Alessandro, President and CEO, Manulife Financial; Thomas Peddie, President and CEO, CTV Television Network Limited; and David Isrealson, Business Reporter, The Toronto Star.

Introduction by Gareth Seltzer

To be president of this organisation is to be constantly interacting with various companies, their executive officers and frequently associates at every level. Some I am surprised get their doors unlocked in the morning and others are overwhelmingly organised and enthusiastic. Today, I cannot say enough about how impressive it is to work with the associates and employees of Canadian Airlines. We are hear to listen to Kevin Benson, but you all deserve to be thanked.

The Canadian airline business has been revolutionised over the past decade—and like any renewal, it takes time to know who the players are and what market segment they can efficiently and profitably serve. Having just been out helping a friend's child look for a Hallowe'en costume, I came across a caution label from the Kenner products' batman costume. "caution: [it says] cape does not enable user to fly."

And herein lies the lesson—planes are only a small part of running an airline. Capital is required to operate. But to survive, to flourish, you must have something else. You must have market savvy and an eager audience. And there are two audiences here, those who look to Canadian Airlines to meet their travel needs and shareholders who look to Canadian management to meet their financial objectives.

Our guest, Mr. Benson, was born in South Africa and immigrated to Canada in 1997. He was Chief Executive of Trizec before joining Canadian in late 1995. He is on the board of Manulife Financial and the Jim Pattison group and, I am told, loves anything fast. Interestingly enough, when Mr. Benson was first approached to serve as the Chief Financial Officer of Canadian Airlines, he said he was interested—but only if they promised not to make him CEO. I am very pleased today to welcome as our guest at the Empire Club of Canada, the President and CEO of Canadian Airlines—Mr. Kevin Benson.

Kevin Benson

Good afternoon and thank you for your interest in the Canadian story.

I would like to start with a few words about the industry, follow with an outline of the restructuring plan that we put together last year and an update on the first nine months of this year, and finally reconfirm our commitment to Toronto.

In about three days' time I will celebrate my second anniversary in the airline industry. For some reason, it seems much longer but certainly the two years have been exciting ones. Apart from issues that are unique to Canadian, the industry itself is a captivating one and one with more than its share of challenges. A number of characteristics contribute to this environment and I'd like to touch on them before I talk about Canadian.

Firstly, the industry is a high-capital industry. A "small" wide body costs US$80 million and a 777 or 747-type costs US$140–160 million. Even smaller transcon types like the A320 or B757 cost about US$50 million. Given the issues at stake, preventative maintenance is essential but also costly.

Secondly, it is a low-margin industry. Despite the fact that the industry is labour and capital intensive, margins are low—in the single-digit range. At the same time our cost of capital is high, reflecting both industry volatility as well as our own credit risk which means operations have to be focused on efficiency. Last year our EBITDAR was 13 per cent and we lost $180 million. Our target now is an EBITDAR of 18 per cent and for the first six months of this year we made 15 per cent.

Thirdly, it is a highly competitive industry. Domestic competition is, for all intents and purposes, unlimited. It is relatively easy to start a new domestic airline in Canada with a cost base that is considerably lower than with existing carriers. With a few restrictions, transborder travel is the same but international routes are more restrictive to newcomers as they are subject to agreements with the country in question as well as to slot availability at often crowded airports.

The fourth point is that there are high operational risks. Safety requirements are extreme for obvious reasons. Equipment is highly sophisticated and premier passengers are highly mobile (no pun intended). The average sale is under $300. It is highly people intensive. We own 125 aircraft but employ 16,500 people. Customers rank the attitude of flight attendants as the factor that most decides their opinion of the airline, but they are also the group that management has the least contact with.

Clearly the airline industry is not an industry for the faint of heart. Why are we still in it?

Airplanes are exciting and it is a very fast-moving and stimulating environment to be in. Seeing 800,000 pounds of metal and sundry other objects leap into the air to emerge 15 hours later on the other side of the world is pretty heady stuff. People who come into this industry love it and tend to stay in it for a lifetime which perhaps explains why our employees are so determined to see Canadian return to profitability.

Our employees have needed that determination in the last few years. The past 12 months in particular have been difficult. However, we have made significant progress and hope the days of seeing the headline, "Cash-strapped Canadian..." are passed. Unfortunately that reputation was well founded. In 1992 and then again in 1994, Canadian experienced cash-flow problems. These received the wide publicity that seems to reflect public fascination with the industry and steps were taken to reduce and control costs while improving revenues, but these did not go far enough and the airline continued to bleed.

In 1994, American Airlines invested in Canadian and, in addition to cash, brought something Canadian needed even more—major improvements in technology. The industry has become very competitive and detailed route profitability information is essential for prudent decision making. Over the next year American Airlines also provided a number of key executives who understood how to use complex systems and the copious information they produced. As a result a number of new initiatives were developed, designed to win back business customers lost over the years.

The results for the first half of 1996 showed the benefit of these initiatives, revenue being 18 per cent ahead of that of 1995.

However, as the third quarter developed, it became clear that the benefit of improvements was offset by a number of factors and that second half-year was well short of expectations. It was obvious that we needed to re-examine long-term prospects for Canadian and determine if the airline had a viable future.

Last September was an intense time as we looked at these realities. We came to the conclusion that Canadian could not only make itself competitive within its existing network, but in fact its Asian routes and experience represented a unique opportunity for exceptional growth if it could position itself to take advantage of them.

Our new systems had pinpointed those routes which were profitable as well as those on which we did not make any money. The opportunities with American Airlines were greatly enhanced by the granting of an anti-trust immunity by the U.S. in June 1996. Open skies restrictions on American Airlines' flights into Vancouver would end in March 1997, greatly strengthening our U.S. point of sale and allowing us to redeploy our 737 fleet onto higher-yield transborder markets. However, the real opportunity in fact was Asia and our relationship with American Airlines. American handles a quarter of U.S. domestic traffic but has few rights to Asia. Canadian carries nearly a third of Asia/Canada traffic but less than 1 per cent of U.S. traffic to Asia. Our opportunity was to become the carrier of choice to Asia for American Airlines' passengers. Picking up only 15 to 20 per cent of American Airlines' potential share of traffic to Asia would more than double our current loads.

Attracting more of American Airlines' customers would help address another challenge for Canadian carriers—seasonality. In most of our key markets, including Asia, nearly two-thirds of traffic flow occurs in five summer months which means we have excess capacity in the other seven months. The U.S. has more winter destinations than Canada and traffic flow has a winter/summer split of 45 per cent/55 per cent. Increasing our share of U.S./Asia traffic evens out the peaks and valleys, producing an improved utilisation of our fleet. As we grow our share of the Asian market we also benefit from rapid growth of the market. The North America to Asia traffic is predicted to grow 10 to 12 per cent a year over the next five years compared to only 2 to 4-per-cent growth from Europe. IATA forecasts that by 2010 fully 50 per cent of internationally scheduled trips by air will take place to, from, or within the Asia-Pacific region.

Clearly this was a great opportunity but first we had a liquidity crisis to fix. A short-term profitability and liquidity solution was required as a first step towards our long-term goals, one that was decisive with immediate results. On November 1 last year, we announced our Operational Restructuring Plan to fundamentally reshape the company. Our objective was to improve the bottom line by $200 million a year for the next four years and in doing so to provide the time to develop our Asia/U.S. traffic with American Airlines.

The first part of the plan was realignment of our network. Using new planning models, we looked at opportunities made possible by deregulation, open skies and the broadening of our commercial alliances. As a result major changes were made:

1. Domestic capacity was reduced by 24 per cent without affecting frequency as half-full Boeing 737 aircraft were moved to service-growing U.S. markets and were replaced by smaller F28 jets.
2. Routes to France and Germany, each losing $10 million per annum, were cancelled.
3. Capacity to Asia increased over 20 per cent.
4. Transborder capacity increased by 160 per cent.
5. Alliance with British Airways stepped up to include full code sharing to London from Vancouver, Calgary, Montreal and Toronto.
6. Canadian code was put onto 1,350 American Airlines' flights and American Airlines' code onto 350 Canadian flights every day.

7. A concerted effort was made to make American Airlines/Canadian service seamless.
8. Stage length increased 16 per cent and aircraft utilisation improved by as much as 10 per cent for 737s.

The result of these changes was a bottom-line improvement of $60 million which was significant but inadequate. Additional savings were required. Another $140 million was needed and had to be quick and certain. We approached groups with a direct financial stake in the future of the airline—employees, creditors, American Airlines and various levels of government. If you remember from the press of last year, no one was enthusiastic but we were given the backing needed for our four-year plan. Employees contributed salary and wage reductions of $32 million per annum. Overhead reductions contributed another $22 million per annum, growing to $30 million. Governments agreed to reduce taxes on fuel, giving a savings of $38 million per annum. American Airlines agreed to cut fees for processing, telecommunications and development by $48 million per annum. In total the four-year plan was worth $800 million to the bottom line.

The plan was used as a base with which to approach creditors. We asked for deferments, not reductions, and got them. Now nine months into our 48-month plan we are comfortable with our progress to date. As is to be expected, some markets changed for the worse but others have outperformed our estimates. The Eastern triangle that lost $40 million last year is now profitable. New transborder routes are outperforming expectations and London routes had their best summer ever (with British Airways). South America was above target and Hong Kong and Tokyo were down but Taipei, Beijing and Manila had good growth. Overall, the changes made have met or exceeded forecasts. The focus now is on growing

Asian routes by building traffic into Vancouver as a stepping point to Asia.

To do this, we are building the operations in Vancouver into a fortress hub from which our network can fan out worldwide on our own metal and with alliance partners. One of our hidden assets is the strength of the alliance team we have developed over the past 20 years, a team that includes:

- American Airlines with their North and South American dominance;
- British Airways with their strength in Europe, Africa and Middle East;
- Qantas the major carrier to the South Pacific; and
- Japan Airlines, the premier Japanese carrier.

One-third of our capacity is now devoted to Asian flying and more than one-third of our revenues are linked to the Asian hub. Accordingly we've increased transborder flying in co-operation with American Airlines and focused flights on routes into American hubs in Dallas, Chicago and Miami. We have aligned policies and procedures with American so that services and priorities are seamless to premium passengers. Our U.S. service has grown from 13 daily flights between Vancouver and the U.S. two years ago to more than 40 flights. We plan to publicise the benefit of Vancouver's location on the great circle routes that aircraft fly. It means shorter travel times to Asia of one to three hours from any point east of the Vancouver/Dallas line and up to one hour from west of the line.

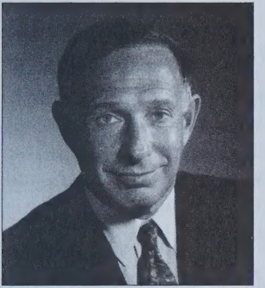
With the basics of the plan confirmed, we are now able to devote resources to the opportunities that will arise as Toronto comes free from open skies restrictions in February of next year.

Toronto is no stranger to Canadian. We employ 4,200 people here and pay $220 million in salaries annually. We also spend approximately $125 million on goods and services. We fly 130 flights a day from Toronto to 27 destinations on five continents. We carry 40 per cent o the traffic on these routes and believe that our ability tc add the American Airlines code to our service from nex February will open up a number of new opportunities ir this market. We are using models to test these now bu our commitment to Toronto remains strong. We are the official carrier for the Toronto Maple Leafs, the Blue Jays and SkyDome.

The actions we took to correct losses in the Eastern triangle did not include any cancellation of service. We moved to smaller and faster aircraft. We are determinec to increase our market share here and in the process tc ensure that you continue to have choices in selecting ai service. We know we will have to fight to get your business, but we are ready and willing to compete aggressively for our future. More importantly we have a much clearer vision of what that future is and hope you support will indicate that you agree. We are no longer jus in the race; we're in it to win.

Thank you for your time.

The appreciation of the meeting was expressed by Edwar Badovinac, Professor, Electronics Telecommunications, Georg Brown College and a Director, The Empire Club of Canada.



October 30, 1997

George A. Cohon

Senior Chairman, McDonald's Restaurants of Canada and Russia and Co-author of "To Russia With Fries"

"TO RUSSIA WITH FRIES"

Chairman: **Gareth S. Seltzer**
President, The Empire Club of Canada

Head Table Guests

Julie Hannaford, Partner, Borden & Elliot and a Past President, The Empire Club of Canada; Rev. Ian MacLean, St. George's United Church; David McFarlane, Co-author, "To Russia With Fries"; Marina Tulupnikova, Director, Human Resources, McDonald's in Russia; Gordon McIvor, Vice-President, Public Affairs, Canada Lands Company and a Director, The Canadian Club of Toronto; Peter Beresford, Senior Vice-President and Director, Marketing, McDonald's Restaurants of Canada and President, Ronald McDonald Children's Charities of Canada; Suzanne B. Labarge, Executive Vice-President, The Royal Bank of Canada; Douglas Gibson, Publisher, McClelland & Stewart Inc.; Maureen Shaughnessy Kitts, Director, Communications and Public Affairs, McDonald's Restaurants of Canada; George Mencke, Executive Vice-President and CFO, McDonald's Restaurants of Canada and Chairman, Ronald McDonald Children's Charities of Canada; and Alexander (Sasha) Tilinin, Crew Instructor, McDonald's in Russia.

Introduction by Gareth Seltzer

With respect to today's luncheon, the Empire Club of Canada wanted to do everything that it could to make this event a success but we wish we had a larger room as you have drawn an outstanding turnout. It reminds me of a story about one of the Carnegies who said: "A billion here and billion there; pretty soon it adds up to real money." The McDonald's story and the McDonald's in Canada and Russia story is one of those understated exaggerations. With a billion served here, a billion there, pretty soon it adds up to an incredible story.

The man behind that story here in Canada and in Russia is our guest today, Mr. George Cohon. And while you might notice that Mr. Cohon is not shy, there is truth to the saying: Give a busy man something to do and it gets done. I will not give you the George Cohon story because it is within his amazing book "To Russia with Fries" that is for sale right outside this room. I will tell you why it is more than just a good read. All of Mr. Cohon's royalties from the sale of this book will be contributed to the Ronald McDonald Children's Charities, perhaps the single most important start-up venture of Mr. Cohon's life. The Ronald McDonald Children's Charities is a non-profit organisation with one simple objective: to help children in need, largely by supporting children and the families of children faced with life-threatening or chronic illnesses and disabilities—and it is important to note that McDonald's of Canada covers the administration costs of the Ronald McDonald Children's Charities in Canada so all proceeds go directly to where they are needed most. In fact, when George first told Joan Kroc, the wife of the late Ray Kroc, founder of McDonald's Corporation, she said: "If you raise one million dollars, I will match it."

In the 1920s a young man approached Dale Carnegie and asked for one million dollars for a performance theatre. Mr. Carnegie said to the man: "I don't want to give you the whole thing. If you raise one half, I'll give you the other half." The young man came back to Mr. Carnegie's office the next morning and said that he had raised the money and wanted to collect. In his amazement, Mr. Carnegie asked where he got the money so quickly. "Simple," said the young man, "Mrs. Carnegie." Let's all support Mr. Cohon on his venture to help those in need and be thoroughly entertained at the same time by matching Mr. Cohon's tireless effort and purchase the book. Essentially, let's large size it! To complete my introduction, I am pleased to ask Sasha Tilinin to say a few words.

Sasha Tilinin spoke a few words in support of George Cohon.

George Cohon

In case you didn't know I've written a book. I've tried to be as low-key as I can about the writing of this book. Doug Gibson who is the publisher said: "You have to get out and create a buzz about the book. You have to get out on talk shows and television and do whatever." I have been doing that for the last eight or 10 days. A couple of nights ago I just wanted to relax a little at home and I went down to the refrigerator just to get a snack. When the refrigerator door opened and the light came on I gave a 20-minute speech so you are in for trouble here today.

The book has a couple of reoccurring themes. The first theme is what I call roots and wings, a concept that I learned a long time ago. And the concept is: never forget where you came from. I guess my grandparents taught it to my parents. My grandfather and grandmother left Ukraine in 1906 when my father was six months old. They left during the height of the pogroms. They were thrown out of the country. You should never forget your roots.

As you start to expand and as you start to grow, you spread your wings and as you spread your wings you come back to your roots. We ended up in Chicago. Suzy who is here with me and I were married in Buffalo. We are both Americans. We are now both Canadians. I'm very proud to be Canadian and I love this country.

When I first met Ray Kroc, the founder of McDonald's, I was a young lawyer in Chicago with a client who was looking for business. I was acting on behalf of the client and Ray Kroc said: "You don't want to be a lawyer for the rest of your life." I guess I didn't. Something went off in my head and we moved here with absolutely no money and have been fortunately very successful thanks to the customers that continue to come into McDonald's.

I want to refer to David McFarlane, the ghost writer and co-author of this book. David was an absolute delight to work with. We spent the better part of a year together.

After we were together about four months I got up early one morning and there was a fax for me. We had transcribed nearly four or five hundred pages. He wrote me a note which I thought said: “George I can’t seem to follow your thought process. I think it is desperate.” I went to breakfast and said: “Suzy things are desperate.” We had been working a long time on this book and here’s the ghost writer saying my thought process was desperate and that it couldn’t be a chronological book—born in 1937 in Chicago; now sixty years old living in Canada. It’s got to flow the way your mind flows. It can’t be the way a normal book would be.” Sue said: “He is absolutely right. Your thoughts are disparate.” I looked at the word and I had never heard the word. I thought it was desperate. So I called David and said: “What does disparate mean?” That was what he had to work with. So life should be fun. Business should be fun.

When I was a young boy growing up I started working when I was 12 years old in Chicago. The work ethic was you worked Monday to Friday. You didn’t have fun at work. You got paid to work and at the end of the day you know you’d have fun. You couldn’t wait till Friday. The whole term TGIF came into being—thank God it’s Friday. That was my thought process when I was very young. But fun can be serious business. You can have fun in your life and you should have fun. When you get up in the morning you should look forward to going to work. Ray Kroc used to have a great saying: “Look forward to going to work in the morning. If you don’t, change jobs.” I have always had a lot of fun. I started at the same time as the fellow who is head of McDonald’s in Japan. We had great competition—who had the most restaurants, who had the higher sales, who had this, who had that. He wrote a book so I sent him a fax a couple of months ago which said: “I’m writing a book; do you want to have a competition on who sells the most books? How many books have you sold?” And he replied: “My book has been reprinted seven times and I’ve sold a million and a half copies.” I didn’t answer him.

So the concept of going through life having fun, that work can be fun, is another thread that goes throughout the book. Another one I think is determination and perseverance. There is a saying that I love that says: “Perseverance and determination alone are omnipotent.”

A part of this book talks about my experience in the Soviet Union. That started in 1976 at a supper we had with a group of Soviet delegates that I did not know. They were in Ottawa observing the Olympics that were taking place in ’76 and going back to plan the 1980 Olympics. We met when the Canadian government called and asked to borrow a custom coach that we had. It was a very nice bus that we used for charity to raise money and tour people around. I said: “Sure.” My wife Suzy and I and our two young boys were at the Olympics. I’m in a pair of jeans and a T-shirt when I see the bus. I go up and say: “Let’s meet the Russians.” As I was talking my way through the RCMP and the KGB all of a sudden someone from Ottawa comes up. He’s got clipboards and protocols and he’s very officious and he says: “I’m from External Affairs. You can’t go up to these people like this. You have to go through protocol.” I said: “The protocol is I own the bus.” That started this odyssey. Everyone thinks there is some machiavellian scheme that took place somewhere. Why would Canada instead of the United States go into Russia? It started just as simply as I said and that was the supper in 1976.

The odyssey took a long time. It took from 1976 to 1990, 14 years to crack through and make a deal. I felt we had one in ’79. I was in a hotel room for 17 days waiting for the phone call for the signing. Waiting in a hotel room for that phone call I got sick. A floor lady appeared. Floor ladies control the keys; they were this indomitable force like granite rock. When I got sick, this woman whom I thought was really tough went home and got a special soup, a Russian chicken soup, to nurse me back to health. I thought: "Would that happen in a western hotel? The Russian soul must be pretty good." So I just sort of hung in.

There was pessimism about the deal. You'll never cut the deal. Well we cut it. You'll never get good supply. Well we got good supply. You will never be able to build buildings to your standards. Well we've done it. You won't get good crew. We took out one ad in one newspaper one day and we got 27,000 written responses if you can imagine. So we sat and opened 27,000 letters and we hired 630 people.

Was it busy at the opening? Well I guess it was busy. We served over 30,000 people in one day. That restaurant now averages 40,000 people per day. It's the busiest restaurant in the world. We now have 30 restaurants that are open. President Gorbachev has been great.

I met Sasha in the restaurant and he's got a Big Mac, he's got a double cheese burger, he's got two orders of French fries, he's got a couple milkshakes, he's got a couple of pies and I'm waiting for someone else to sit down. But nobody ever comes. I watch him start to devour this food. I have a translator and I introduce myself and the translator starts to translate and he says: "I'm trying to learn English. Try to speak to me in English." So we talk in English and then I invite him upstairs to meet the management team and I say this is our best customer. If everyone ate this way around the world our stock would be doing well. I give him a business card. About a month later I received a letter: "Dear Mr. President, you may remember me. My name is Sasha Tilinin. I live outside Moscow. You met me in the restaurant. I'm 13 years old. I have an idea for your McDonald's." And he gives me a great idea. Why don't we have signs on the subway with arrows. So I go to Peter Beresford, who is the Senior Vice-President of Marketing, and he says: "That is a pretty good idea. We should do that."

Sasha and I started corresponding with one another. He's now 20 years old and just a wonderful young guy. He became my advisor. I've watched him grow and develop. That's the future of the country, young people like that.

President Yeltzin came into the restaurant. Sasha and I actually greeted him. He had a whole entourage of people and I said: "This is my advisor Sasha," and he looked down and just about said: "Well who the hell are you?" Sasha said: "I am his advisor." Yeltzin was great. We invited him to the restaurant and he was just unbelievable. He bit into his Big Mac. "How is it President Yeltzin?" "Not enough salt." That video clip opened "Good Morning America." We opened a restaurant about three weeks later and his wife came out. We wanted to support a charity she was very involved in to buy a piece of equipment for a children's cancer hospital and we said we would give the opening day's proceeds, whether she came out or not. She wanted to come out and accept the cheque. She bit into a Big Mac and the same cameras were there. "Mrs. Yeltzin your husband said: 'There's not enough salt. What's your reaction?'" She said: "It doesn't matter what I cook at home, there is never enough salt for Boris."

There is one more thing that happened with him which is really comical. He said: "Have you ever been to Siberia? Would you like to go to Siberia?" I said: "Well why?" He said: "Well I want to send you to Siberia." And I said: "Mr. President what a strange thing to say to a western businessman. We have in our mind this concept of Siberia. You banish people there; it's the vast outer hinterland. Why do you want me to go there?" He said: "Well I come from a town there and I want you to put a McDonald's in my town." "Well I'll go and look at it." And he said: "No I want your commitment that you are going to do it." I said: "Well how can I promise you. If I promise and don't do it, then I am lying to you and I don't want to lie. I've got to look at the town." He said: "That's good enough for me. Give me a call when you want to go and I will see to it that someone meets you." We walk outside and there's a reporter from CNN who's a pal of mine and I sort of steer Yeltzin over to him. He's an expert on McDonald's. Yeltzin stops and said: "Mr. Cohon is a very smart businessman." The guy from CNN said: "Why is that?" "He's agreed to put a McDonald's in my town in Siberia."

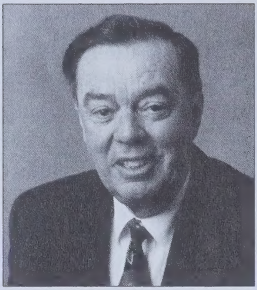
Another theme in this book that is very important to me is charity. It's giving back. It's being part of the community you live in. We cannot live in a vacuum. We all owe a duty to society. So part of this book that I think is important is helping people and I have a challenge that's going on. The challenge is to raise money for Ronald McDonald Children's Charities of Canada.

All the royalties from the book go to Ronald McDonald Children's Charities. We had a big launch party here a few nights ago and I'm going out of Toronto with a little over $600,000 in the bank. I sent the book to Joan Kroc, who is the founder of Ronald McDonald Children's Charities, and said: "Read about Ray; he was my mentor. Is it okay?" It was in the galley stages just before going to print and she called back and said: "Yes it's great George." I told her about the million dollars and she said: "I'm going to match it." "You will do what?" "I'm going to match it with a million." "Are you sure?" She said: "Done deal. It's done George. I'll match it. Go raise the money." I was so excited I called David and I said: "We have got to get it in the book. We have got to get the match in the book. She said she would do it but in print it will even be better. I was so excited I neglected to ask her whether it was Canadian or U.S. funds. So I sent that to her and she said: "Well yes that's fine. Put it in. What's this Canadian or U.S. fund deal?" Well I said: "Well the Canadian or U.S. fund deal is that you don't think in Canadian dollars do you Joan? "No I live in California. I don't think in Canadian dollars." "Well I am a very proud Canadian. I think in Canadian dollars and I'm going across the country to sell books and the books are sold for Canadian dollars." And she said: "Well I think in U.S. dollars." "Great. I'll raise a million Canadian and you match it with a million U.S." And she said: "That's great." A million U.S. is 1.4 million Canadian. I'm going across the country and I want to raise more than a million. I don't want to set my limit at a million because this is going to help a lot of children, a lot of children who need some help and so I'm out and about.

The McDonald's philosophy is to be good corporate citizens. We have done it from day one. The Ronald McDonald Children's Charities is just a super charity and we have a motto that little people shouldn't have to deal with big problems. And so am I trying to sell this book? Well yes. There are people in the room who haven't bought it and when I'm done with this speech I'm walking out to where the books are. If you want to buy a book and get a signature on it, I would be more than glad to oblige.

Thanks for your support. I enjoyed being with you.

The appreciation of the meeting was expressed by Gordon McIvor, Vice-President, Public Affairs, Canada Lands Company and a Director, The Canadian Club of Toronto.



November 6, 1997

Lionel Hurtubise

Chairman, Ericsson Communications Inc.

SUCCESSFULLY MANAGING A GLOBAL BUSINESS IN GOOD AND BAD TIMES

Chairman: **Gareth S. Seltzer**
President, The Empire Club of Canada

Head Table Guests

Bart Mindszenthy, Partner, Mindszenthy & Roberts Communications and a Director, The Empire Club of Canada; Dr. Rev. John Niles, Victoria Park United Church; Boon Chang, OAC Student, Malvern Collegiate Institute; Leonard Katz, Senior Vice-President, External Affairs, Rogers Cantel; Dr. Carolyn Hansson, Vice-President, University Research, the University of Waterloo; Chris Robinson, President, Canadian Freestyle Ski Association; Paul Curley, President, Advance Planning & Communications; Brian Barry, President, Ericsson Communications Inc.; Gary Switzer, Regional Vice-President, Microcell Telecom; and Jan Dymond, Vice-President, ZED Communications and a Director, The Empire Club of Canada.

Introduction by Gareth Seltzer

In increasingly complex times, I am always impressed to find how many companies have captured an entrepreneurial edge and a new market for products and services that 10 years ago would not have been much more than a dream. I was recalling with a friend how I was so impressed with a school chum whose father had a car phone—one of the very first—and it was approximately the size of a large watermelon. It may have been awkward, but he did business on the road which at that time was forward thinking.

At the same time, there is so much movement in the marketplace, in terms of technology and the very highly skilled professionals who guide these companies that it can be hard to get the bare facts. I am reminded of the 1974 Fiat Spider which had on the dash an ideogram illumination intensity adjustment potentiometer. A dimmer switch.

Today, we are here to get the bare facts about one of the world's leading suppliers in fixed and wireless communications. Founded by Lars Ericsson in Sweden in 1876, it is active in 120 countries and has sales approaching $30 billion. The company commands more than 40 per cent of the world market for cellular systems.

In Canada, the firm is no less successful and we are pleased to have here today, Mr. Lionel Hurtubise, who has a long a distinguished record in the business. Mr. Hurtubise, a skiing and sailing enthusiast, seems to have been, or is, the chairman of basically every related professional organisation there is. So without any further delay, I ask that you welcome Mr. Hurtubise to our podium today to address the Empire Club of Canada.

Lionel Hurtubise

Thank you. It certainly is an honour to have been invited to speak here today. I cannot but be impressed by the quality of the speakers that have preceded me and I am honoured to follow in their footsteps.

The reason I am here today is to address some key issues that are critical to the information technology and communications markets. I would like to share with you some of my experiences as the Canadian CEO and now Chairman of a large multinational company doing great things in Canada.

More specifically, in an era of globalisation, what lessons has a global company such as Ericsson learned about competing successfully in a business arena which is defined by a constant state of flux, incredible challenges, abundant opportunities, growing competition and rapid technological innovation? In short, how have we managed to succeed in the global telecommunications market and what role has Canada played in this success story?

I would like to stress at this point that while I will be referring to Ericsson quite frequently throughout this talk, this is not meant to be an Ericsson sales pitch. Rather, my aim is to use the Ericsson experience as an example of a successful Canadian initiative. Given the fact that Ericsson is present in 130 countries worldwide and has R&D facilities in some 23 countries, Ericsson is in many ways a microcosm of the world.

The Canadian company is constantly competing with all other Ericsson locations for the much-coveted mandates we are undertaking here in Canada. I can assure you that each one of the other R&D sites would enthusiastically welcome the opportunity to procure some of the responsibilities which have been given to our Montreal research unit.

Before I discuss some of the strategies which have ensured Ericsson's growth over the past few years, I would like to take you through a brief overview of the global telecommunications technology and market trends which are playing a determining role in how our company is managed both for the short- and long-term.

From a business development perspective, major new opportunities present themselves on almost a daily basis. An effective means of illustrating the staggering pace of market evolution and competition in the telecommunications industry is to provide you with one simple figure. Nearly $300 million is being spent annually in Canada alone to advertise the vast array of telecommunications products and services. Canadians, like citizens of most western economies, are being barraged by a bewildering and ever-changing array of new services.

Now, consider the following. As amazing as it may seem, 90 per cent of the world's population does not own a phone and half of the world's population has never made a phone call. Moreover, according to the International Telecommunications Union, only about 4 per cent of China's 1.2 billion people have a telephone. The Chinese government has made it clear that it aspires to increase that percentage to 21 per cent by the close of the century.

To give you an idea of what that implies from a network infrastructure point-of-view, consider this: China will need to install as many phone lines in the coming three years as there currently exists in the entire United States.

The developing world has come to take for granted that it must develop its telecommunications infrastructure to world standards in order to foster the same quality of life enjoyed by their counterparts in the rest of the world. Basic phone service is booming in areas of the world which have not traditionally been considered primary targets from a marketing perspective. These include parts of Asia, Latin America and Eastern Europe.

As I mentioned earlier, 90 per cent of the world's population does not own a telephone. It has been estimated that as telecommunications services become more readily accessible, many of the 90 per cent will make a technological jump directly to wireless communications. Simply stated, they will never own a fixed or land-line telephone. This technology-leaping phenomenon represents a fascinating trend and remarkable market opportunity for the wireless telecommunications industry.

From a global perspective, the outlook for the entire telecommunications industry continues to improve. However, two major trends are currently shaping the industry's evolution in both domestic and international markets. These trends are deregulation and the strategies adopted by developing, as well as developed countries to implement wireless communications technologies as their principal or alternative telecommunications infrastructure.

For example, Nortel announced yesterday that it has won a US$780 million contract to supply Teligent LLC of Vienna VA., much of the sophisticated networking equipment for the construction of a wireless communications system. Teligent will be competing in 74 American markets covering 700 cities and towns by offering local, long-distance and Internet services by early next year.

What is most significant about this announcement is that instead of digging up streets to lay copper or fibre optic cable, Teligent's approach is to use small microwave antennas, installed atop the office and commercial buildings occupied by its customers, to provide direct high-capacity and relatively low-cost connections for voice, data and video-conferencing traffic.

The technique falls directly into what I have been discussing in that it will bypass the local telephone company, inside and outside downtown city cores, effectively being in direct competition with the traditional telcos. In today's world, it has become obvious that in many cases the most cost-effective strategy to modernise outdated telecommunications infrastructures or to compete with existing infrastructures is to install wireless telephony technology rather than building an entire wireline infrastructure.

An effective illustration of the prevalence of this phenomenon can be found in the simple fact that when I joined Ericsson back in 1986, wireless products represented 7 per cent of total volume worldwide. Today wireless products account for close to 65 per cent of Ericsson's total revenues.

Aside from the technology-leaping phenomenon a second, and no less important, global trend within the telecommunications industry relates to deregulation. In the North American market, deregulation of the telecommunications industry has opened the door to a number of new entrants thereby dramatically altering market dynamics. New competitors have sprung up on both the product and service side of the industry while the telcos and cable companies continue to penetrate each other's sphere of influence.

On the whole, the effects of deregulation have been largely positive as the trend has forced companies to seriously re-examine their strategic focus. In addition, the advent of increased competitive pressures has ensured that the telecommunications marketplace will remain highly efficient in the future.

Now that you have a basic overview of the significant technology and market trends dictating the progression of our industry you may be asking yourself the following question which forms the basis of my talk today: How are companies such as Ericsson going to meet this challenge? Furthermore, how will they keep their customers ahead of the unrelenting wave of changing technology, while at the same time assuring shareholders and employees of continued employment and consistent and aggressive returns?

From an Ericsson perspective, the answer to these questions is crucial to our continued success. Ericsson has come up with a three-scenarios vision of potential future market opportunities. The strategy is entitled "2005—Ericsson entering the 21st century."

The first scenario in the Ericsson 2005 vision is entitled "Service Mania." This scenario focuses on access to information and services that dominate the interest of end-users. In this scenario end-users in the year 2005, including private persons and corporations, turn to brokers or agents to help them find and gain access to suitable information packages and interactive services.

The second scenario of vision 2005 is entitled "Gran Tradizione." In this scenario the traditional values are the controlling factors for end-users. If human conservatism prevails in the control of market development, it seems feasible to assume that end-users will rely on their traditional operators.

The final scenario, entitled "Up and Away," envisions end-users gaining access to sophisticated communications solutions virtually free of charge. The only cost items will be their terminal equipment. Manufacturers of the equipment pay for the communications and provide end-users with access to communications networks. Commercials and advertising will cover the cost of content and its presentation. End-users will accept the fact that advertising appears on their terminal screens whenever they log on or connect to one of countless information banks, entertainment services or other services offered on the network.

With a better understanding of the ever-changing market requirements, or user requirements, a continued focus on research and development will be the key to our continued success.

Before I address some of our principal R&D strategies which have been the catalyst for Ericsson's sustained growth, I believe this would be a good time for me to provide you with a few words about our parent company LM Ericsson which is headquartered in Stockholm, Sweden.

With 100,000 employees in 130 countries around the world and annual sales approaching C$30 billion, the company is the world-leading supplier of telecommunications equipment and one of the three leading manufacturers of pocket phones.

In terms of market share, LM Ericsson currently commands over 40 per cent of the world market for cellular and PCS systems, which is twice that of its nearest competitor.

The company fully expects to continue this tradition of growth. There are presently 140 million wireless subscribers worldwide. By the turn of the century this number is expected to exceed 600 million. Currently, more than four million new users subscribe to wireless systems around the world every month.

As I am sure you can imagine, this growth creates tremendous challenges for Ericsson's marketing and product-development teams. Our commitment to R&D is well known and has been the catalyst for developing the company's global-leadership position in wireless communications. The company has always invested heavily in technological development. Twenty per cent of its gross sales goes back into research and development.

During the last recession, Ericsson maintained its strategy of investing significantly in research and development. Due to this commitment, Ericsson is now reaping the benefits from a bottom-line perspective. Moreover, since the early 90s Ericsson has experienced significant increases in both revenues and market share.

To truly appreciate the effect of Ericsson's relentless commitment to R&D consider the fact that our current improvements in revenues and market share were based on the delivery in most cases of products and services which were not even in existence three years ago. In 1996 alone, the company invested nearly $4.5 billion worldwide in its R&D activities which are conducted in 23 countries by approximately 18,000 engineers.

Make no mistake, investing in R&D is a long-term strategy for Ericsson. Fortunately, most recently this strategy has consistently produced favourable short-term, bottom-line results for the company. It has become obvious, in today's global economy, that focused, effective R&D separates the successful long-term players from the also-rans, at least in technology-intensive industries.

The Ericsson experience is actually not unique. Mounting evidence demonstrates that businesses that invested in R&D during economic downturns show superior rates of growth and profitability.

Investing in research and development demands skilled people to undertake the actual work. The telecommunications industry is exploding at such an intense rate that its own demands for skilled personnel exceeds the supply. This is an exceptionally important point which I will touch upon in greater detail in a few moments.

I would like to spend a few moments outlining the success of our Montreal-based research unit, as well as our entire Canadian operation. I believe that the story of Ericsson in Canada is a wonderful example of how a Canadian-based operation can play a key role in the realisation of a global company's corporate objectives and successfully meet the demands of global clients. I further believe that the Ericsson story proves that Canada can and should be perceived as an excellent location for the development of technology for the world.

Ericsson has had a presence in Canada since 1953 when the company maintained a small sales and after-sales support office. Things have certainly changed since then. In human terms, Ericsson in Canada now employs close to 1,400 employees in two divisions. I will be discussing each division in greater detail later on.

First, however, allow me to introduce Brian Barry who has recently come to the Canadian operation as its new president. Mr. Barry joined Ericsson in 1982 in Ireland, his home country. Brian continued his career with Ericsson in England. The changes that Brian has been involved with in the U.K., being one of the first markets to deregulate, parallel many of the rapid changes in the Canadian telecommunications industry and I am certain he will bring an experienced perspective to our market. We look forward to working with you and wish you the best of luck Brian.

Apart from having a new president, things at our Canadian operation have changed quite dramatically over the past few years. For example, since 1991, Ericsson Research Canada has won three world R&D mandates from its parent company. As a matter of fact, back in 1986, Ericsson Research Canada's entire development team was comprised of less than 10 individuals. Throughout the years, that small group grew at a rapid pace to meet the demands of our business. It is my pleasure to inform you that, today, 1,000 people are active in Ericsson Research Canada's organisation in the greater Montreal area. Our Canadian engineers create software for wireless telecommunications systems used by more than 25 million people around the world including close to 1.5 million Canadians.

Ericsson Research Canada can take great pride in its achievements as well as its contribution to the Canadian high-technology community. We now occupy over 350,000 square feet of space in the Montreal area and recently inaugurated our third building. More importantly—and more significantly I think—Ericsson's rapid growth and continuing expansion can best be measured not in square feet but through our most precious asset: our employees. It is the extensive pool of knowledge available in Canada that, first and foremost, accounts for the impressive growth and success of our Canadian activities.

I am proud to report that Ericsson is now ranked 6th within the Canadian Corporate R&D Database amongst R&D spenders across all industries. Furthermore, our Canadian R&D unit is ranked second among firms undertaking R&D in the telecommunications industry. To put this into perspective for you, Ericsson spent $137 million in Canada on R&D during 1996.

Our Mississauga-based sales and marketing operation has also undergone tremendous growth. The facility currently has the mandate to serve the Canadian market for cellular/PCS systems and sells and distributes the Ericsson brand of mobile telephones, private radio products and systems and "Mobitex" mobile data communication systems and access products. Ericsson in Mississauga is also a full service provider of complete telecommunications network solutions.

Some of the impressive accomplishments of our sales and marketing operation include the following:

- Our 12-year relationship with Cantel (Canada's only nationwide cellular operator) as its primary network supplier, has resulted in over 1.5 million Cantel cellular subscribers today.
- Ericsson has a contract with Microcell Telecommunications Inc. to supply its PCS network. The agreement includes a $200-million financing arrangement for the purchase of network switching systems, base stations and related services.
- Our EDACS system (Ericsson Digital Access Communications System) has become the standard in Canada for public safety and dispatch radio applications. Ericsson in Canada has recently won contracts from the city of London police and Ottawa-Carleton police.
- Ericsson in Canada has built the world's largest and most sophisticated trunked radio system for Sasktel Mobility. It provides dispatch communications on a province-wide (150,000 square miles) basis to both public and private organisations.
- Ericsson has facilitated local agreements with Canadian firms such as Task Micro Electronics, Silonex Inc. and Telelink to manufacture components and sub-systems for export to Ericsson assembly plants around the world.
- Ericsson has subcontracted local Canadian expertise to support major system contracts such as Paramax, in support and maintenance of sophisticated Ericsson radar technology on the Canadian frigate programme.
- Delivery of sophisticated radar jamming training technology to the Canadian Air Force will commence within the next months.
- Commencing in 1997, Ericsson in Canada has committed to sponsor the Canadian freestyle ski team for three years. Ericsson is proud to be associated

> with these daring young men and women, known as the "Canadian Air Force," who won three medals at the Lillehammer Olympics.

You may be asking yourself how we became so prominent in such a relatively short period of time. Twelve years ago, when Cantel began to build its cellular network, it chose Ericsson as its principal network software and hardware supplier.

In 1986, as part of our commitment to Cantel and the Canadian government, Ericsson established a small R&D centre in Montreal. Over time, as we were able to demonstrate our technological competence, we were given some autonomy to conduct small development projects.

Based on our highly talented research team, we convinced our parent company to continue investing in Canada based exclusively on business performance. We were able to prove that we could provide the corporation with quality research and development in a productive and cost-effective manner. In a whirlwind of activity we won three world mandates in the face of stiff competition from other Ericsson technology centres. We also celebrated our 44th anniversary in Canada, expanded our facilities and now stand poised to take on greater challenges.

When we consider the success of Ericsson in Canada, we must first and foremost recognise our tremendously talented and dedicated staff. We have learned to appreciate that Canada's information technology industry relies upon a large pool of well-educated and highly skilled researchers and others that are trained in the finest educational institutions. Moreover, Canada's engineers and researchers have become noteworthy for their productivity and creativity. This is especially significant when we consider the importance our parent company has placed on technological leadership.

Costs in Canada are extremely competitive with those of other countries due to high productivity, very low annual employee turnover and an excellent R&D tax-credit system.

Apart from the obvious availability of skilled manpower, Canada boasts pro-active and understanding governments at all levels. Their foresight and business acumen have created a fiscal environment in which we have been able to prosper. Being that deregulation is one of the critical trends in telecommunications, I would like to congratulate the Canadian government for its foresight and diligent work throughout the deregulation of Canada's telecommunications industry. It certainly was and continues to be a job well done.

Another issue I have chosen to talk about today is the exceptional quality of life in Canada. It goes without saying that a happy employee is a productive employee. As a result, the allure of Canada is very important to us. Canada is a wonderful country to live in and the families we bring in from Sweden and around the world truly appreciate the quality of life here. As a matter of fact, annual surveys of Ericsson employees in Canada have registered some of the highest employee satisfaction ratings of all Ericsson facilities around the world.

Ericsson employees have always considered Canada a vibrant and pleasant place to live and do business. Canada's cost of living is relatively low and offers an abundance of choice in living accommodations and leisure activities. Canada offers a diversified cultural life which resembles, to some extent, a European lifestyle in North America. Our employees truly appreciate this.

I would now like to comment on the importance associated with each individual CEO's long-term vision of his or her Canadian operation.

The procurement of world mandates for our Canadian subsidiaries is directly related to the ability of individual CEOs to identify strategic business opportunities for their

Canadian organisation, and to promote those opportunities to their parent companies in an effective manner. The promotion of a world mandate to the corporate parent company represents a major undertaking in time and effort for any CEO. It often requires the CEO to step outside the primary mandate of operating the existing business in Canada. Promoting a world mandate takes vision and a commitment to the realisation of that vision.

I encourage other CEOs to emulate what Ericsson and others have done, which is to actively seek mandates from their parent company. Canada offers what is necessary to win and maintain mandates from our foreign parents. Apart from the Ericsson example consider the success stories of other Canadian-based subsidiaries of foreign multinationals such as Astra Pharma, Pratt & Whitney, Harris Farinon, and Merck Frosst who have all recently announced significant investments in Canada.

Without visionaries going out and promoting Canada for global corporate mandates, Canada will miss out on many growth opportunities.

Although I have covered the reasons why Ericsson has chosen to invest and reinvest in Canada over the years, it would be remiss of me not to spend a little time covering some of the problematic issues that Canada faces. I hope that my discussing them here today may shed some light on potential strategies which could help enhance foreign investment in the country.

The first problematic issue I would like to address relates to the status of the education system in Canada. After having read several studies and reports on the matter, I inevitably come to the same conclusion. There are simply not enough computer scientists to fill job openings in Canada today.

For example, in its survey entitled "Education for export? Keeping Canadian-trained computer and electrical engineers in Canada," the Canadian Advanced Technology Association reported: "As the Canadian high-tech sector booms, it has become widely apparent that there is a growing shortage of computer and electrical engineers. For example, the Software Human Resource Council projects a shortfall of 20,000 software workers in Canada by the turn of the century."

Similarly, Harris Miller who is the President of the Information Technology Association of America, reported recently that one in 10 information-technology positions in the U.S. are currently unfilled due to a lack of people with the necessary competencies.

With unemployment as high as it is, something seems to be amiss. It seems to me that we need to start playing a more active role in encouraging our young people at the high school level to consider entering the fields of telecommunications and information technologies. Our young people need to know that promising, well-paying and fulfilling careers await them within these disciplines. Oftentimes, it seems to me that young people are not fully aware of the consequences of their academic choices.

Please do not interpret my comments as narrowly focused and not accepting of the notion of academic freedom. Everyone should have the opportunity to pursue whatever interest he or she may have. However, young people need to be fully aware of the vast employment opportunities which await them in the telecommunications and information technologies fields during their decision-making process.

In my opinion the effort to council young students on career paths should be redoubled in the case of women. I understand that there is still a high percentage of women who drop out of scientific studies at some point in their academic careers. I find this phenomenon truly disappointing. The percentage of women employees at Ericsson Research Canada is approximately 30 per cent. Let me tell you from first-hand experience that they rank among our most talented and creative inventors and managers.

While on the topic of education, I recently read with dismay that the computer science departments at Montreal universities could only accept one-half of all eligible students because of a lack of professors and facilities and I presume that other universities are facing similar circumstances.

If indeed, Ericsson Research Canada is a microcosm of the world, then we must acknowledge the fact that there are many employment opportunities for people with the right kind of training. Therefore, once again with unemployment so high, it seems to me that something is amiss.

Let me start by reaffirming that the remarkable pool of knowledge and talent available in Canada is the number-one reason for Ericsson's growth in Canada.

However, I would like to draw your attention to the entire array of fiscal incentives, including both direct and indirect subsidies, that our governments have traditionally made available to industry. Certainly, these measures have been very instrumental in the establishment and development of a number of small- and medium-size businesses as well as affiliates of international firms, including Ericsson.

Above and beyond these measures, however, I would argue that governments should pay just as much attention to supporting and investing in our institutions of higher education. For this reason, Ericsson felt compelled to be a part of the solution by working with the University of Waterloo to create the Centre for Wireless Communications as an example. The exciting win-win factor for Ericsson and the rest of the Canadian telecommunications industry is that the centre will produce highly qualified home-grown talent for our industry. Students studying at the centre will graduate from the programme with the essentials—a Masters of Applied Science in Electrical Engineering with special training in the field of wireless communications.

Let me acknowledge that R&D tax credits are excellent and necessary incentives. However, the most important incentive for today's leading firms, especially in high-technology sectors competing for a share of global markets, remains the pool of knowledge normally available through our educational institutions that are renowned for the quality of their teaching staff, exceptional students and state-of-the-art facilities.

I would therefore suggest that our governments start questioning their normal approach to attracting business and that they consider complementing their current industrial development strategy with an action plan based on furthering the development of our colleges and universities. Make no mistake, without the required pool of local talent, knowledge-intensive industries will go elsewhere.

In conclusion, let me reiterate Ericsson's strategic focus in the ever-changing world of telecommunications. Simply stated we must understand these changes and the needs of our customers and their customers, the end-users. Then, we must maintain our strategy of investing and reinvesting in R&D through all the vicissitudes of the business cycle. By maintaining its level of R&D spending, even during difficult economic times, Ericsson is constantly poised to offer the world cutting-edge telecommunications solutions.

However, this recipe for undertaking focused research and development is contingent upon the recruitment of talented and creative technical employees. I know that other sites around the world are hard-pressed to match the technological competence available here. The availability of highly skilled engineers and technicians is the single most important factor for the rapid development of Ericsson in Canada. As I mentioned, our growth would not be possible without the tremendously talented technical people available here.

However, please take notice that warning signs are there and that our pool of talented young people is rapidly eroding. I urge both government and private industry to redouble their efforts to ensure that our higher-education institutions remain the best in the world. I also urge professionals guiding our young people to make it clear that Canada has wonderful employment opportunities in the telecommunications and information-technology industries. If we can no longer produce the requisite numbers of technical students, technology-intensive corporations will go elsewhere.

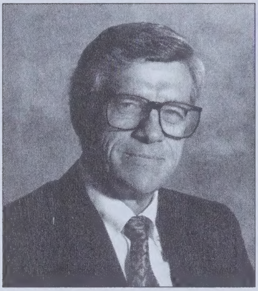
When I think back to our very first pitch to Stockholm in 1990, the excellent lifestyle in Canada, the proven technical competence of our engineering staff, Canada's proximity to the U.S. markets, the low level of employee turnover, as well as our proactive governments and tax incentives for R&D, helped make our sell extremely potent.

I urge other subsidiaries of foreign-based multinationals to seek additional mandates. Canada is an ideal place for high-technology corporations. If there is a single lesson that I have learned as CEO and now Chairman, it is that Canadian CEOs must aggressively sell Canada abroad. We must address the fact that Canada does not have a high technology profile abroad.

However, be convinced that few locations globally can compete with Canada as a preferred site for significant investment. In short through my experiences, I am convinced that Canada can and we should all spread this message around the world.

Thank you.

The appreciation of the meeting was expressed by Jan Dymond, Vice-President, ZED Communications and a Director, The Empire Club of Canada.



November 13, 1997

K. Linn Macdonald

President and CEO, Noranda Forest

CANADA'S FOREST PRODUCTS INDUSTRY

Chairman: **George Cooke**
President-Elect, The Empire Club of Canada

Head Table Guests

Rev. Greg Kerr-Wilson, Holy Family Anglican Church, Heart Lake; OAC Student, Rosedale Heights Secondary School; Rorke Bryn, Dean, Faculty of Forestry, University of Toronto; Marc Daoust, President, James McLaren Industries; Lise Lachapelle, Chairman, Canadian Pulp and Paper Association; Barry Rowland, Partner, Ernst & Young; Marie Rauter, President, Ontario Forest Industries Association; Jacques Lareau, Mayor, Town of Buckingham, Quebec; and David J. McFadden, Partner, Smyth Lyons and a Director, The Empire Club of Canada.

Introduction by George Cooke

Linn Macdonald

Thank you for that kind introduction. As George said, and my grey hair will attest, I've worked in the forest products industry for over 40 years.

As a result, I've come to have a profound respect for the significant role the industry plays in the Canadian economy. At the same time we've made major breakthroughs in achieving an appropriate level of environmental performance and sustainable forest management. And I am especially proud of the economic opportunities we provide for many rural communities throughout Canada. As we look ahead, I am immensely proud of the way the industry has changed, in such a roll-up-our-sleeves way to position ourselves for the future.

But there are a couple of things about which I'm not so pleased:

- Our inability to make our point of view known and believed by our many important stakeholders in Canada; and
- The volatile and often unsatisfactory financial results the industry has collectively achieved for its shareholders.

How can you hide an industry with total annual sales of $49 billion, where more than a quarter of a million people go in the front gate to work everyday? How do you make invisible an industry that accounted for over $15 billion in IPOs, mergers and acquisitions in the last three and a half years? How do we hide something that big? Especially since we're trying to do the very opposite?

Today I'd like to tell you about this industry. I want to speak about my favourite topic: the profound benefits that the forest products industry brings to all Canadians and the almost astonishing changes occurring in Canada's forest industry. I have chosen the words "profound" and "astonishing" carefully, so as not to exaggerate the degree of change I am talking about.

I then want to make clear how we can—how we must—maintain those benefits into the future. My hope is that when you leave today, you will share my enthusiasm for these benefits if you simply recall four numbers.

Those numbers are: One million, 350, 90 and 25. One million is the number of Canadian jobs that depend on the forest products industry. Three hundred and fifty is the number of Canadian communities that rely totally on the forest products industry for their prosperity. Ninety is the per cent of Canada's net balance of trade that the forest products industry contributed last year. And finally 25 is the percentage of all manufacturing capital invested in Canada that is spent by the forest products industry.

These are seemingly rather simple, if relatively unknown, facts but critically important when you examine just how closely intertwined the forest products industry is with the Canadian economy and with our society's expectations. These are big numbers, to be sure, but they do mean something for every Canadian.

The federal government in the most recent Throne Speech, has described Canada's priorities and challenges as we move into the twenty-first century. Among the most important of these priorities are:

- Sustainable development, that ties social and environmental progress to economic benefits;
- The need to invest in new technology;
- Free trade;
- Economic development of rural communities;
- Creating a "knowledgeable" economy.

I'll admit that the forest industry hasn't always met those challenges, but that's only half the story because the industry has undergone a dramatic transformation in order to meet two often competing goals: one, the changing expectations of the public, and two, the fearsomely competitive global marketplace where we do business. That transformation has demanded that we completely re-examine the way we do business from an economic, a social and an environmental perspective. It has not been easy. It has not been error-free. It certainly has not been cheap but it has started and is well underway.

Forty years ago, when I started in this industry, Canada had what appeared to be an almost unlimited capacity to produce wood fibre and absorb the industrial processes needed to convert that fibre to pulp, paper and building materials.

Today we know differently. Now the forests are managed on a sustainable basis and the harvest level is set accordingly. Public forest land in Canada is harvested only after detailed management plans are approved, including plans for regeneration, wildlife management and maintenance of biodiversity. Today, forest planning is no longer an inexact art, but an advanced science done with extraordinary detail and foresight.

The result of this planning is profound. Every year the forest products industry plants about 700 million seedlings and many times that number are nurtured through natural regeneration. I should also point out that roughly half the forested land in Canada will never be used for commercial forest operations and will always remain that way. That includes the 12 per cent that is preserved from harvesting by legislation or public policy, such as, national parks.

Canadians have developed auditable standards of certification for sustainable forest management. Independent auditors can measure our performance against these standards and certify us as an example to the world of how forests should be managed and as an example to the millions of our own citizens who never get the opportunity to see our forests. Anyone anywhere can measure sustainable forest management against those standards. Through the Canadian Standards Association, the Canadian model is leading a global effort to form an international benchmark of sustainable forest management through the ISO standards.

Because these initiatives relate to sustainability, and with so much recent debate about global climate change in the lead up to the December meetings in Kyoto, Japan, I think it's timely to briefly mention our industry's progress. While the forest products industry still remains the largest industrial user of purchased energy, we are moving quickly from non-renewable fossil fuels, such as coal or oil, toward a renewable resource, our own biomass fuel, such as bark and sawdust. This too represents a profound change in a very short time.

It used to be that when lumber was cut, the sawdust, along with the curved slabs trimmed off the logs, were considered worthless. They were normally incinerated in a perpetually smoking beehive burner. Fibre was wasted spectacularly by today's standards.

What are today's standards? Well, today at Noranda Forest's Edmundston, New Brunswick pulp mill a new cogeneration plant has become a profit centre, supplying electricity to the provincial grid. It uses bark, sawmill waste and forest residues as the fuel source, while reducing landfill by almost a million tons a year. An economic and environmental success. As bio-mass replaces fossil-fuels in this manner throughout the industry, our industry as a whole has achieved the reduction in the use of fossil-fuels by 21 per cent since 1990. That's astounding! It may not be perfection, but it is certainly progress.

And then there's the economic and social contribution. In 1996 there were 252,000 full-time jobs in our industry, with about 5,000 new jobs added that year. What's more, the forest products industry directly and indirectly employs nearly one million Canadians. The industry and its employees paid $9 billion in various forms of taxes last year.

And it's not just the number of jobs that matter but the fact that they're well-paid jobs, safe jobs, and more and more knowledge jobs. The average wage for each employee in the pulp and paper industry last year was over $47,000. By comparison, the average Canadian manufacturing wage is just over $30,000.

Today, many forest industry employees work in enclosed climate-controlled work stations, using touch-screen computer-driven instrumentation or in air-conditioned cabs harvesting trees. These knowledge jobs demand more advanced training. It's common in our industry for employees to receive formal or on-site training for up to two weeks every year. This means 4 per cent of our payrolls are invested in training.

More than 350 northern Canadian communities depend on our industry for quality jobs for their citizens, contributions to their community programmes and tax income to support their community. But again, the changes are happening quickly, as social progress in these communities quickly follows the industry's economic progress. When income levels rise, so do education levels, which lead to increased consumer demands that in turn improve the opportunities for local providers or goods and services.

One million jobs, 350 communities. That clearly makes the forest products industry a major contributor to rural economic development. And we can assure those communities that the products of our industry—lumber, panelboards, paper, pulp—have a very real future, which means their communities have a future. Those products are in growing demand by economies around the world. So communities like Edmundston, New Brunswick; Buckingham, Quebec; Cochrane, Ontario; or Houston, British Columbia are cities and towns with a future too.

Surprisingly, not even the explosion of high-tech communication has diminished the world's affection for paper—or demand for it. Printing and writing papers continue to be the fastest-growing sector of the industry, accounting for almost one-third of the world's production. Each new application of digital imaging brings with it a closely tied market niche for a specialty paper product, as people choose to download and print copies of their favourite photo or graphic representation.

Increasingly, shipping labels are directing our pulp and paper products to destinations throughout the world, including Asia. That segment of the global marketplace has replaced Europe as our second-largest market after only the United States where Canadian lumber is used in 44 per cent of the houses built.

This industry has always been export-driven, with four of every five tons produced and two-thirds of our lumber destined for international markets. Yet despite the fact that 1996 was a tough year for our industry, Canadian forest products producers still contributed 90 per cent of Canada's net positive balance of trade. The forest industry posted exports of $38 billion last year, 15 per cent of Canada's total exports. Net exports of forest products reached $31 billion.

I don't need to convince you that Canada needs a positive trade balance. For every item we want to import, we must export something of equal value. Forest products, made in Canada, are highly competitive in world markets and provide a greater positive net trade balance than auto parts, agriculture and metals combined.

But sometimes the rejoinder we hear is: "Yes sure, but Canada's future economy will be based on technology." Our critics say: "What's beneath our feet is no longer as important as what's between our ears." This is a fallacy. I'd like to make two points.

One, Canada's present economy is underpinned by the forest products industry and we must maintain that foundation as we seek any future changes.

And two, this industry is already one of Canada's largest consumers of technology. In other words, one of Canada's oldest industries is transforming itself by calling upon its newest industries.

There's a simple reason for this: We are in a capital-intensive business. A new mill requires an investment of up to $4 for each dollar of sales it generates. Because of the huge fixed capital involved, our assets are expected to be productive for years. The investment decisions we make today are ones we live with. But we continually upgrade our mills and machinery with the latest technologies. We have to in order to remain competitive.

The fourth number I suggested you may want to recall was 25 per cent. That's because the forest products industry accounts for over 25 per cent of Canadian capital expenditures in the manufacturing sector. Or roughly $5 billion per year. This makes it Canada's largest investor of manufacturing capital—bar none.

As a result, anything that affects our industry will have a significant ripple effect on much more of the Canadian economy. This certainly includes our huge and rising purchases of technology. The money we spend on new technology has spawned a well-developed supply industry in Canada for everything from advanced forest products machinery, computer-assisted controls, operating control simulators and world-renowned consulting engineers. The owners and employees of these companies are exporting their products and knowledge around the world.

The industry uses technology in forest planning, supported by satellites to provide data needed to produce digital maps that clearly delineate species, age groups and inventory. With this eagle's eye view, we can design plans for the best approaches to harvest timber both today and in the future.

In our mills, computerised systems control the weight, thickness, colour, gloss, smoothness and moisture of a continuous roll of paper as it is made at speeds of 60 kilometres per hour.

Optical scanners programmed with current lumber-market prices compute maximum value per saw log, triggering adjustments until the optimum cut can be made and only then advancing the log through the saws.

Technological and scientific advancements are actively pursued at a number of academic Chairs funded by industry members.

The industry's core collaborative research centre, Paprican, located in Montreal, is a world leader in developing new technology for pulp and paper production. And other co-operative research organisations, such as Forintek and Feric are devoted to improved building materials and better forest harvesting methods.

In addition, through the Noranda Technology Centre, also located in Montreal, research scientists are creating proprietary new approaches to resolve production and operational challenges.

While these examples, won largely through new technology and new attitudes, are certainly important, some of the greatest gains from technology are being won in the crucial area of treating effluent. And on this topic, only one number counts—zero—because over the last five years, science, technology and a lot of dollars have come together to virtually eliminate dioxins from our mill effluents.

With all these splendid initiatives coming from our industry, why are we still the subject of such energetic invective? I believe we remain a large target because the proof of our change exists so far from where our fiercest critics happen to live. It's parallel, I guess, to the idea that if a tree falls in the woods, does it make any noise? Well, for those who care to listen, this is an industry that's making a lot of the right noises.

Many of you, of course, won't have the opportunity to take a tour of a paper mill, sawmill or forest operation. But it won't be for lack of invitation. The Canadian Pulp and Paper Association has encouraged its member companies to throw open their doors to the public. Hundreds of such tours have been conducted and thousands of people have come away with a better understanding about the way things really work in the woods and the mills.

Those thousands are an advance guard for what recent independent polling has confirmed—the public believes the industry is both willing and able to change for the better. More and more, Canadians see the industry as modern and scientifically and technically advanced. I believe they are right. So maybe we are making progress in one of the areas I said I wasn't so pleased with. We are starting to tell our story more effectively.

The other area we need to work on is how we will perform in the future. We, the members of the industry, need to do some things and we also need some help.

One of the fundamental characteristics of our industry is its ability to regenerate the raw materials we depend on. In this way, we are a unique industry. Our products are recyclable and reusable and the fibre we use is regenerated by nature through sunlight. This provides us with a singular opportunity to be truly sustainable, but also to grow. And yet despite this and despite the industry's huge positive economic and social contribution to the nation, we are being challenged as never before, both internationally and here at home.

We are facing four problems:

- First, we are continually facing curbs on forest access;
- Second, we constantly run up against unproductive regulations based on detailed requirements and restrictive legislation which is often based on suspect science;
- Third, there is pressure to subsidise uncompetitive or uneconomic operations;
- Lastly, we face non-tariff trade restrictions that potentially inhibit global competitiveness.

All of these issues put potential limits on our future. Let me modestly suggest that we need to broaden the recognition of how the industry is growing and meeting the expectations of both the government and the people of Canada.

The fortunes of this industry are unusually affected by public policies.

First, we need recognition that sufficient and significant forest lands have already been set aside and protected. Our industry must be able to access and manage the remaining commercial forests in order to be as productive as possible in the globally competitive marketplace, and to grow.

We are managing the forest resource, mostly on public lands. But we fully expect to be judged on the basis of our results. We respect that. We need regulations with clear expectations of results rather than ones that try to stipulate every step of the process. Let us find the most efficient solutions. The industry is in compliance with environmental regulations but please ensure that any future regulations are clearly based on sound science and are economically achievable.

Our markets are global and our competition is global. While we have a unique resource, one thing we must never forget is that nothing we make cannot be made elsewhere. We must remove the trade barriers wherever they occur. Fortunately, Canada has generally had its access to export markets increased through the implementation of NAFTA and the World Trade Organization agreements. The restrictions imposed by the softwood lumber quotas are the exception.

Our industry believes existing international trade rules support the ability of countries to protect their domestic environment. However, we must not accept some countries' approaches to misuse their environment law-making capacity to restrict imports from Canada.

Our industry has been a long-standing supporter for global free trade, and we must be free to compete. What is the case for such freedom?

Again, it's quite simple. The forest products industry, like so many others, is consolidating into fewer, larger players. Canada's largest forest products company is now only the twenty-first-largest on the world scene.

Larger companies can manage industry cycles better and provide improved returns to shareholders with less volatility. These cycles are not really driven by fluctuations in demand, but rather by surges of new capacity arising as the fragmented industry rushes to add production capacity with several companies building or expanding at once. Each surge effectively lowers unit productivity in the collective industry. And this, in turn, adversely affects profitability and shareholder returns.

The industry is marching steadily—and some would say relentlessly—towards this consolidation. In Canada, in the first six months of this year alone, some 15 mergers or acquisition transactions valued at almost $6 billion have been announced. A recent Ernst & Young report described the pressure to consolidate: "Shareholders faced with inadequate returns will continue to pressure companies to restructure operations, sell non-core assets, and court mergers and acquisitions."

Consolidation allows companies to increase their market share, secure fibre supply and timber-harvesting rights, obtain more attractive financing and lower their production, selling and administrative costs. Only the larger companies can afford the stakes in this global competition on commodity products while smaller companies must move to specialty products, as buyers and sellers alike strive to increase shareholder value.

There is an answer. Consolidation and restructuring will occur. I believe—as do many of my colleagues in the industry—that governments must help Canada's industry clear the way. They can do this by allowing the related transfers of forest management and timber harvesting rights on public lands, in order to support the growth of Canadian companies into global-scale competitors. They must also accept the need for restructuring and revitalisation of uneconomic operations, rather than preserving them at any cost.

The industry must maintain the market momentum we've defended and fortified with staggering levels of capital investment and we must improve our returns to shareholders. We must grow. Clearly, the forest products industry remains a major player in the growth of the Canadian economy and a major contributor towards meeting government and social expectations—especially so in northern communities, places far from the comforts here at the Royal York Hotel.

The industry's investments in the environment, in new technology and in people are investments in Canada on a scale unequalled by any other single industry this decade. Indeed, they are unprecedented. Canada's forest industry has been changing rapidly and decisively, albeit to the majority of Canadians, invisibly as well. We have reached a point where, with the increasing application of advanced technology, many of our mills are highly productive, globally competitive, and world leaders in sustainable management of the forest resource.

Today and tomorrow, the forest industry is indeed integral to Canada's future. One million people, 350 communities, 90 per cent of Canada's trade balance and 25 per cent of all capital investment provide the proof.

Thank you very much.

The appreciation of the meeting was expressed by David J. McFadden, Partner, Smyth Lyons and a Director, The Empire Club of Canada.

November 20, 1997

David Wilson

Chairman, The Investment Dealers Association and
President and Deputy CEO, Scotia Capital Markets

BORDERLESS CAPITAL MARKETS: THE DECADE CANADIAN INVESTORS DISCOVERED THE WORLD

Chairman: **Diana Chant**
Treasurer, The Empire Club of Canada

Head Table Guests

Tony van Straubenzee, Partner, Insite Institute and a Past President, The Empire Club of Canada; Rev. Prue Chambers, Incumbent of St. Nicholas Anglican Church; Safina Khan, Grade 12 Student, Western Technical Commercial School; Dax Sukhraj, Chairman, Investment Funds Institute of Canada and President, Keybase Financial Group; Robert L. Brooks, Executive Vice-President, Investment Banking, Bank of Nova Scotia and a Past President, The Empire Club of Canada; Diana Chant, Treasurer, The Empire Club of Canada and Partner, Price Waterhouse; Barbara Stymiest, Senior Vice-President and CFO, Nesbitt Burns Inc. and Chair, The Toronto Stock Exchange; Arthur Labatt, President and CEO, Trimark Financial Corporation and CEO, Trimark Investment Management Inc.; and Duncan N.R. Jackman, Managing Director, Fulcrum Investments and a Director, The Empire Club of Canada.

David Wilson

Good afternoon ladies and gentlemen. Today, I've been asked to offer you some insights into the financial markets. During my 28 years in the investment business, I have observed many fascinating and dramatic changes in financial markets.

In the last decade, in particular, few could have imagined the explosive growth of the global capital market and the resulting exponential rate of change in the ways that people can invest their savings.

In 1987, total issuance of bonds around the world amounted to less than $200 billion from 2,000 deals. By 1996, the amount had more than tripled to almost $700 billion from 4,400 deals.

Global capital flows now know few, if any, boundaries. However, the degree to which Canadian investors have participated in this phenomenon has been surprisingly limited until quite recently. I'm not talking about Canadian governments and businesses, which have a long history of tapping foreign capital markets. I'm referring to purchases of global financial assets by individual Canadian investors, either directly or indirectly through professional pension fund or mutual fund money managers.

Although for many years we've heard talk about global markets, for most Canadian investors it has been just that—talk. But in the past few years there has been a sea change. The relationship between Canadian savers and international markets has been radically altered. We've acquired a ferocious appetite for global investments. Canadians have tossed aside the stereotypical image of the staid, cautious investor we cultivated in the past.

Why the dramatic and sudden shift? And what are the implications for policy makers and for self-regulatory bodies such as the Investment Dealers Association? I'd like to answer these questions for you today.

Canadians are accumulating foreign assets—foreign mutual funds, foreign currency, foreign assets of pension plans—at levels never witnessed before. In 1987, foreign assets in mutual funds and pension plans totalled about $14 billion. By 1996, the amount was almost $100 billion. In fact, Canadian purchases of foreign bonds and equities during the three years between 1994 and 1996 equalled the total for the previous nine years.

And Canadian investors are no longer just going south of the border to pick up their stocks. We've begun to widen our scope to encompass the global market. Ten years ago, Canadian purchases of foreign stocks and bonds were largely U.S. securities, almost 95 per cent. While the U.S. remains the undisputed foreign investment destination of choice for Canadians its share has now declined to around 80 per cent.

Why is Canadian capital suddenly going global? A little history is called for here.

For some time, Canadian investors were quite content to cocoon at home. Mountains of low-risk high-yielding debt was readily available here in Canada. As successive Canadian governments piled up deficits and debts in the 70s, 80s and early 90s, Canadian investors—along with a great many foreign investors—wisely grabbed what they could. Then, in the late 1980s, the Bank of Canada began pushing interest rates higher and higher to combat inflation.

In 1990, the risk-free yield on T-bills averaged almost 13 per cent. With very big, largely risk-free returns like these, there was little incentive to look beyond our borders. Equity market risk and foreign currency risk were things that the average Canadian investor had had the luxury to avoid.

I think it was Peter C. Newman who once commented: "Too many Canadians believe that taking a financial plunge means buying Bell Telephone preferreds." Whether by our nature or not, we didn't have to take risks to get good returns.

But things changed by the mid-1990s. Inflation was beaten down like never before in recent memory. Governments found the religion of fiscal discipline. Not surprisingly, inflation and short-term yields plummeted with interest rates hitting 30-year lows. Low-risk, high-yield investments, so readily available before, suddenly became scarce. Short-term debt, the hardy potato of the average Canadian investment diet, became unappetising. Consider today's T-bill yield of a lowly 4 per cent. Investors, rewarded for their short-term, cautionary approach for so many years, were suddenly faced with a new world which involved greater risk for greater returns.

At the same time as Canadians were seeing their high fixed return, low-risk, homegrown domestic investment alternatives disappear, there was convergence of a number of powerful global trends, all having a dramatic impact on global capital flows.

Innovative computer and communications technology has caused an information explosion. The natural barriers of time and space that separate capital markets have been tumbling. Technology made it possible to go into markets anywhere in the world. And you don't have to be sitting in New York, Tokyo, London or Toronto. Warren Buffet—arguably the greatest investor of our generation (certainly one of the wealthiest)—lives and works in Omaha, Nebraska!

Then there's the Internet which allows average investors to explore the possibilities of the more than 50 new emerging markets that have opened up in recent years. The World-Wide Web has sites providing timely information on quotes, economic information and companies from around the globe. So technology will continue to power the globalisation train.

Technology has also allowed for instantaneous, extremely complex computations, which has led to the surge in derivative products. Without computers, derivatives would not exist. With derivatives, investors are able to invest outside their home market and to hedge their risks. They can hedge against fluctuations in exchange rates, interest rates, stock indices or commodity prices.

Access to global markets has also been enhanced by the ease of order execution. It used to be difficult to buy a share of a Tokyo public company like Sony. Now, electronic trades occur effortlessly. Trade settlements are simple due to the ease of electronic transfers of funds.

The demand for higher-return investments has surged—driven by the massive demographic bulge of the Baby Boomers, who are concerned about having sufficient funds with which to retire. There is a large demographic shift in the number of people who are now between the ages of 40 and 55. These Baby Boomers are looking for a profitable home for their substantial personal savings. By investing in professionally managed global pooled funds, they have realised that they can dramatically diversify their investments and therefore spread risk.

And finally, only recently have average Canadian investors been allowed to invest more in foreign markets within the shelter of an RRSP.

With the possible exception of low-risk, high-yield investments which could return, all these factors are permanent. Taken together, they indicate a significant trend: Traditionally cautious Canadians are investing in a very un-Canadian like way. We've gone global, not only attracted by the potential higher returns but also by the potential to diversify risk. And the vehicle of choice for accessing these markets has been mutual funds.

Foreign bond funds were the fastest-growing mutual fund category in the period from 1990 to 1995. And international equity funds were the second-fastest-growing during the same period. A recent Environics poll showed that about 57 per cent of affluent women, with an average age of 46 and a household income of $137,000, held international mutual funds. In fact, more affluent women held international mutual funds than GICs, blue chip stocks or Canada Savings Bonds.

So what are the implications of this permanent shift for policy makers and regulators?

For one thing, our discovery of global capital markets is a good thing. The timing couldn't be better. Canadians are coming to grips with the fact that the Canada Pension Plan may not be adequate to meet all of their income needs when they retire. In fact, about three-quarters of us hold that opinion. And for most of us to have the lifestyle we want when we retire we need the potential higher returns associated with diversification into foreign assets.

At the same time, we have to face facts. The Canadian market represents only about 3 per cent of the world's equity market. To limit an investment strategy so narrowly would be a foolish and risky position to take. Unfortunately government policies regarding foreign investing have put average Canadian investors precisely in that position. Current legislation continues to place a cap on foreign investments held in pension plans at 20 per cent.

A smart investment strategy includes a well-diversified portfolio. Diversification is the key to managing market risk and volatility. Yet Canadians are somewhat handcuffed when they attempt to build an adequate retirement safety net since current pension rules do not allow them to manage market risk in an optimal way through diversification into foreign investments.

Some would argue that many people don't take full advantage of the 20 per cent as it is. However, almost every pension fund and mutual fund manager in the country makes close to full use of the 20-per-cent limit. Why? To ensure that the portfolio is properly diversified.

Earlier this month, the Investment Funds Institute of Canada, an association of all of the big mutual fund managers and distributors in Canada tabled a very compelling research paper prepared by Ernst & Young. The study showed that between 1975 and 1995 an equity portfolio with 30-per-cent foreign content would outperform a similar portfolio capped at 20-per-cent foreign content by half of one percent per annum. In fact, under this 30-per-cent versus 20-per-cent scenario, $5,000 invested in an RRSP each year for 25 years would earn an additional retirement income of $32,000.

Government policy shouldn't put future Canadian retirees in an excessively constrained position. And it's the average person who is the most trapped inside the domestic capital market. Many sophisticated institutional investors routinely get around the 20-per-cent foreign content cap by using a variety of sophisticated techniques, including derivatives. For the individual investor operating on a small scale, it is virtually impossible to use these techniques on a small scale. In short, the cap should be raised to level the playing field and allow Canadians more flexibility in managing the risks of their retirement investments.

Finance Minister Paul Martin has argued that increasing the cap will undermine the strength of the Canadian dollar and that the Canadian economy needs an assured pool of domestic savings to invest in productive capacity in this country. However, when the limit was moved from 10 per cent to the current 20 per cent, there was little or no impact. The reason was simple; the change was made gradually. A target of 30 per cent could be achieved without any negative effects by increasing the ceiling by 2-per-cent increments each year.

Greater exposure to foreign markets obviously entails greater risks. The Asian stock market flu has been quite contagious. The Canadian and U.S. markets caught gentler forms of it. But that's short-term thinking. Investing for retirement is a long-term endeavour and short-term volatility shouldn't be the basis for policy. Whether investing domestically or internationally, one must focus on the long term.

As markets become more global and more complex, sound investment advice and counsel is absolutely crucial. And if the investment vehicles of choice for Canadians are mutual funds, that raises other issues.

In 1989, mutual funds assets in Canada amounted to $25 billion. Today, mutual fund assets equal about $280 billion. These billions of dollars have been collected from individual investors by approximately 500 investment dealers, banks and mutual fund distributors across Canada.

Members of the Investment Dealers Association distributed about 33 per cent of mutual funds over the past year. Banks sold about 50 per cent. The remainder of fund sales, amounting to billions of dollars, have been made by independent distributors—many of whom are relatively small companies.

These distributors typically are not members of the IDA or any other self-regulatory agency. They technically fall under the regulatory review of the various provincial securities commissions. However, because of the very large number of such distributors and the staffing limitations at the various commissions, these numerous smaller-scale mutual fund distributors don't receive any rigorous regulatory review. As a result, hundreds of small distributors are selling billions of dollars worth of mutual funds to individual investors—investors who have no assurance that they are being properly served or informed.

One of my favourite cautionary tales is about an old sailing ship captain. He was asked what you do when there's a typhoon blowing and a reef in front of you. His answer: "What you do is not get yourself in that position."

All of the Canadian securities commissions now see the reef ahead of them and now are seized with the reality of this regulatory gap. And there is a recognition that these distributors need to be supervised to ensure that their conduct is aligned with the best interests of their clients.

Close regulatory supervision would ensure compliance with a code of selling practices, including compliance with rules as to the suitability of risky equity funds for certain clients. Supervision would also ensure that all distributors maintain a sufficient level of net free capital and fund segregation practices to protect clients from the financial difficulties their distributor could experience.

The best way to close this existing regulatory gap is to mandate that every distributor of mutual funds to the investing public must be a member of a self-regulatory organisation (SRO). Only then will individual investors who purchase mutual funds receive the protection that an SRO provides to the investing clients of its member firms.

Ladies and gentlemen, let me close by making a couple of fearless forecasts.

I believe that Canadian investors will continue to be attracted to foreign capital markets particularly markets outside North America as they become more and more accessible and transparent.

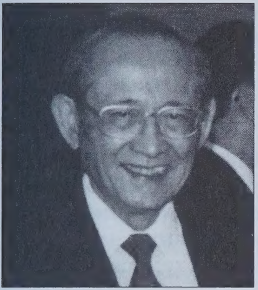
I'm confident the Canadian government will—in the fullness of time—make the decision to increase the current cap on foreign holdings in pension plans to 30 per cent and eventually beyond 30 per cent.

And I'm also confident that a new self-regulatory organisation will be created in the next eight to 12 months that will be responsible for the regulation of all mutual fund distributors that are not already regulated by another SRO. The regulatory gap will soon be filled.

The Investment Dealers Association and its 187 members are prepared to dedicate the Association's considerable resources and expertise to work with the mutual fund distribution industry. A new SRO for this industry will allow its clients to benefit from the same high quality of self-regulation that has served the clients of the investment dealer industry so well for the past 70 years.

Thank you.

The appreciation of the meeting was expressed by Robert L. Brooks, Executive Vice-President, Investment Banking, Bank of Nova Scotia and a Past President, The Empire Club of Canada.



November 27, 1997

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

His Excellency, Fidel V. Ramos

President, Republic of the Philippines

TOWARD A PACIFIC PARTNERSHIP: THE PHILIPPINES AND CANADA IN THE PACIFIC CENTURY

Chairman: **Gareth S. Seltzer**
President, The Empire Club of Canada

Head Table Guests

Rev. Kim Beard, Rector, Christ Church, Brampton; Dr. Rey PagTakHan, MP, Parliamentary Secretary to the Prime Minister; MGen. Bruce Legge, C.M.M., C.M., K.St.J., E.D., C.D., Q.C., Partner, Legge & Legge and Chair, Metro International Caravan; The Hon. Raymond Chan, MP, Secretary of State, Asia Pacific, Government of Canada; The Hon. Hector Villanueva, Press Secretary, Republic of the Philippines; The Hon. Henry N.R. Jackman, C.M., K.St.J., B.A., LL.B., LL.D., Chancellor, the University of Toronto and Honorary Chairman, The Empire Club of Canada; The Hon. Roberto de Ocampo, Secretary of Finance, Republic of the Philippines; Ms. Nalini Stewart, O.Ont., President, The Canadian Club of Toronto; The Hon. Domingo Siazon Jr., Secretary of Foreign Affairs, Republic of the Philippines; Vic De Zen, Chairman, President and CEO, Royal Group Technologies; The Hon. Cesar B. Bautista, Secretary of Trade and Industry, Republic of the Philippines; Mr. John Treleaven, Ambassador of Canada to the Philippines; The Hon. Al Palladini, MPP, Minister of Economic Development, Trade and Tourism; The

Hon. Raul Goco, Philippine Ambassador to Canada; and Ann Curran, Partner, Lewis Companies Inc. and a Director, The Empire Club of Canada.

Introduction by Gareth Seltzer

For our honoured guest today, His Excellency President Ramos, it has been a hectic few months and a very hectic couple of weeks. Almost two weeks ago in Manila, finance officials of the Asia-Pacific Economic Cooperation Forum, APEC, prepared for their gathering in Vancouver and the much-anticipated discussion regarding the role of the International Monetary Fund.

At the APEC conference, President Ramos and his colleagues agreed upon an historic financial package raising nearly $70 billion. In recent years we have been in awe of the extraordinary economic growth rates of the Asian and Tiger economies. However, economic volatility is much like a volcano. You do not know when it may erupt and how much damage it may do.

I was in Manila in March, prior to the market crisis, and I was in Manila again last week in the midst of it all. The vibrancy of the people and the enthusiasm of the work force is undeniable. In 1995 Mexico arranged for a $48-billion IMF financial package under similar circumstances. Today, the IMF loans are virtually repaid—ahead of schedule. Global financial assistance is a part of the modern global village. Fidel Valdez Ramos was instrumental in the 1986 restoration of democracy with President Corazon Aquino, who visited our clubs during her term. After serving as Secretary of National Defence in the Republic, Mr. Ramos was elected President in 1992 on a platform of people empowerment—providing people with greater control over all aspects of their lives. In Manila, I had the opportunity to talk to the experts about the popularity and reputation of Mr. Ramos; the jeepney and taxi drivers. The response was overwhelmingly favourable—people like this president.

I am honoured to introduce to you, the President of a nation working towards sustained economic development and social justice in the 21st century, Fidel Ramos.

Fidel Ramos

We meet today in what historians call "an open moment" for relations between our two peoples and governments.

My present visit to Canada, including my participation at the fifth APEC economic leaders' meeting in Vancouver, and the two visits to the Philippines of your Prime

Minister Jean Chretien have set the stage for a new chapter in Philippine-Canadian relations.

There was a time in the past when the vast Pacific ocean seemed like an unnavigable barrier to close ties between the Philippines, the "land of the palm," and Canada, the "land of the pine."

We have reached this stage because we Filipinos and Canadians alike have shed certain aspects of our old colonial associations with distant imperial centres, and because the world of the Asia-Pacific has greatly changed.

This is not to say, of course, that our ties in the past were of no moment. Our two countries both fought for freedom and democracy in World War II and have been on the same side in differing capacities in conflicts and peacekeeping activities since 1945 including the Korean War and our affinities in matters of culture and values are considerable.

More than any other factor in our time, globalisation has served to knit our economies, and therefore our nations and our futures more closely together. In the last two decades, more and more countries have accepted the logic of market-oriented development, dismantling old protectionist barriers and welcoming foreign trade and investment in the process. As a result world trade has boomed.

Most notable in this tide of change and growth is the emergence of developing countries as important players in the world market. They increased their share of total global exports from 15 per cent in 1971 to 23 per cent in 1994. Developing nations more than doubled their share of global foreign direct investment inflows, from an average of less than 9 per cent in 1984–89 to 21 per cent in 1995. Their share of global foreign direct investment outflows, on the other hand, more than tripled from 4 per cent to 13 per cent in the same period.

Nowhere has the acceptance of market forces and globalisation brought greater benefit than among the "tiger economies" of East Asia. East Asian exports to the world hurtled upward from US$143 billion in 1980 to US$852 billion in 1995.

In addition, East Asia has emerged, through regional economic integration, as a regional economic powerhouse in its own right today. Intra-East Asian trade is greater than East Asia's trade with North America. East Asian states other than Japan have become major new foreign investors within their own region as well.

But East Asia's true success lies not just in stronger commercial competitiveness. Growth has been translated into real gains for the peoples of the region. According to a recent Asian Development Bank (ADB) study entitled "Emerging Asia: Changes and Challenges," the following improvements have been gained by East Asia in less than an average person's lifetime: "In the 1960s, poverty in most of Asia was as severe as in sub-Saharan Africa. Today poverty is virtually absent in Hong Kong, Singapore, the Republic of Korea and Taiwan. Countries with huge populations like Indonesia and China more than halved their populations living in extreme poverty. Most regional countries are better off today than a generation ago."

This should remind us that East Asia's achievements in terms of human welfare have been very real. But East Asia still has problems to deal with that are real, even massive—problems and challenges that our region must address today. The currency turmoil represents no permanent damage or insurmountable challenge to East Asian growth and stability. It will pass, since the region has not lost its underlying strength.

The first pillar of this strength is in the economic dimension. East Asia's macroeconomic fundamentals are still firm. Reforms will modernise the region's financial sectors and make them tougher players in the world market.

The second pillar is the political setting. Unlike many other parts of the world, there is broad regional strategic and political stability in East Asia.

And the third pillar is the people factor. The peoples of East Asia have weathered storms much worse and more destructive in the past. The region has a solid track record of learning from mistakes, managing change for the better and surmounting adversity.

Certainly, the ADB remains bullish. ADB President Mitsuo Sato said in a speech earlier this month: "Does the recent currency turmoil mean an end to the 'Asian miracle'? My answer is 'No,' because what the currency turmoil tells us is lack of policy and institutional adaptation to globalisation, not an abrupt change in economic fundamentals, in these countries." Among the developing East Asian countries, the Philippines, the region's youngest emerging tiger, is the one considered least affected by and most likely to recover soonest from currency volatility.

The Philippine peso did lose about a quarter of its exchange value per U.S. dollar. However, our real GNP growth rate for the first semester this year was recorded at 5.9 per cent, compared with 6.9 per cent for the whole of last year. Our investment rate as a per cent of our GNP stood at 25.7 per cent for the first semester of this year, compared with 23.3 per cent, again, for the whole of last year. Our debt service-export ratio has fallen steadily, from 46.3 per cent in 1992 to 11.6 per cent for the first half of this year. We have kept inflation down to 4.8 per cent for the first three quarters of this year, while our exports grew 25 per cent—with a value of $25 billion.

Within the year, the Philippines will exit from its IMF programme; at a time some of our neighbours are placing themselves under a similar programme; this is one sure sign of our national economic health.

An important aspect of the regional currency issue was the remarkable spirit of regional resolve and co-operation that it elicited. Regional solidarity is important, given the fact that globalisation has interlinked our economies so closely.

In Vancouver during the 1997 APEC economic leaders' meeting (AELM) a few days ago, the leaders expressed their strong confidence in the prospects for continued growth of the East Asian economies. They pointed out that the countries of East Asia continued to possess those qualities that had made their rapid growth possible. At the same time, the leaders manifested their realism about the nature of the current difficulties and expressed their strong determination to do what is necessary to resolve them and restore confidence in East Asia's economies. They recognised the global dimension of the problem and the need for global, co-operative solutions.

The leaders generally agreed that the necessary measures must include:

- The improvement of the management of the banking systems in countries where such an improvement is called for;
- The adoption or continuation of sound monetary and fiscal policies and the exercise of firm discipline in the application of those policies;
- The maintenance of high savings rates;
- The continued commitment to the liberalisation of trade and investment;
- The improved transparency of economic and financial decision making; and
- The mobilisation of external short-term financing under the leadership of the international monetary fund (IMF).

The point of departure for the discussion of these measures was the Manila Framework, which I was called upon to introduce to the meeting by way of kicking off the discussions. The Manila Framework is a set of recommendations for regional co-operation to promote financial stability as a complement to the IMF's global role in maintaining balance in the international monetary system. The framework was put together by finance and central bank deputies of 14 Asia-Pacific economies in a meeting convened and chaired by the Philippines in Manila on November 18 and 19, 1997, with the participation of high-level representatives of the IMF, the World Bank and the Asian Development Bank.

The Manila Framework has four basic recommendations:

- The establishment of a new mechanism for regional surveillance to identify potential risks to growth and financial stability and the appropriate policy responses;
- Greater economic and technical co-operation to strengthen domestic financial systems and regulatory capacities;
- Measures to increase the magnitude of and speed up access to IMF resources that support adjustment programmes; and
- A co-operative financing arrangement to supplement, as a second line of defence, the resources of the IMF and other international financial institutions.

We also asked the finance ministers, working with their central bank colleagues, to intensify the implementation of the collaborative measures that they had announced in Cebu, Philippines last April to promote the development of financial and capital markets. These collaborative measures and the co-operative way in which APEC members are addressing the financial situation are outstanding examples of the economic and technical co-operation of which APEC is capable.

Philippine resilience in the face of the current turmoil stems from the economic reform and liberalisation policies that my administration has introduced. We are moving to increase our domestic savings rate, to reduce the cost of doing business, and to modernise our taxation system through the new comprehensive tax reform package (CTRP), which is now on its final stages of passage in the Philippine Congress. In short, we have become far more integrated into the global and regional economies, including the Asian Free-Trade Area (AFTA). In fact, last year, Philippine exports within AFTA had the highest growth rate of any Asian country.

Our story as the youngest tiger in the region lies not only in these macroeconomic and demographic details; it partakes of deeper roots—in our commitment to the freedom we regained through the bloodless people power revolution of February 1986 and the long tradition of democracy among our people. In 1998 we shall celebrate the Centennial of Philippine independence.

In the Philippines, unlike in many developing nations, we have not made democracy wait for development. We have steadfastly pursued both democratic political and socio-economic reforms together, at the same time. We are proving that democracy and development can go together and support each other.

It is in the democratic realm that the Philippine experience should find greatest resonance in Canadian hearts, for is not Canada a nation dedicated also to the principles of freedom, liberty and the rights of the individual?

Our affinities are even more profoundly manifested through the indissoluble human bond that more than 250,000 Filipinos living in this great land have forged between our nations. We appreciate the hospitable and warm welcome that Canadians have extended in these colder latitudes to their brothers in the Filipino immigrant community. Canada's generous attitude toward overseas Filipinos is exemplary—one that deserves high tribute from us, and emulation by others. It is not surprising therefore that the Filipino community here, many of whose leaders I am meeting, are vigorous, united, forward-looking and increasingly influential in Canada's national life.

Canadian business has been in the Philippines longer than is generally known. Companies such as Sun Life of Canada and Manufacturers Life, for instance, have been with us for over a century. Sun Life is our third-largest insurance company.

Last January, Prime Minister Chretien made the following statement when he was in our country: "The Philippines is taking off as one of the most dynamic economies in Asia. With today's business deals, Canada is making its stake and establishing a major presence. Each of these partnerships will pave the way for more opportunities and jobs for Canadians and their Filipino partners." He was referring to the at least 52 agreements entered into by Filipino and Canadian companies worth some US$505 million worth of business.

Although more than 80 per cent of Canada's trade as of the early 1990s has been within the APEC region, 78 per cent of its exports and 65 per cent of its imports are with only one country, the United States. Surely, there is room for growth in Canada's economic ties with our part of the world, and in any regional growth strategy the Philippines is ideally positioned for Canadian business.

The Philippines and its East Asian neighbours—with their young populations, their economic fortitude and their increasing technological capacity—constitute huge productive forces and consumer markets for the future. If East Asia grows, even at a somewhat slower pace than today, it will have enormous new demands. The region will want more food, safer energy, better consumer items, greater capital, more sophisticated technology, smarter services, newer infrastructure, cleaner air and water, more affordable housing, more livable cities and a greener environment.

Developing Asia may have a total investment demand between now and the year 2020 of around US$50 trillion.

At 1996 prices, according to the ADB, of that roughly US$10 trillion would be for physical infrastructure alone. East Asia will be a bonanza for the rest of the world; a region eager to obtain, at the best prices, goods, financing, service expertise, technological know-how and information from everywhere.

This is a pleasing prospect, but it is not one that we should take for granted. The countries of the Asia-Pacific remain extremely diverse in political outlook, economic system, culture, religion, language, geographic size and demographic character. Our region is also the focal point of some potentially serious disputes: on the Korean Peninsula, across the Taiwan Straits, and in the East and South China Seas. In addition, there is the more insidious problem of regional economic tension that has a tendency to flare up to alarming proportions.

For this reason, the Philippines, Canada and all our neighbours need to respect and reinforce those new mechanisms for deepening regional understanding, mutual confidence and co-operation that we have established for the post-Cold War Asia-Pacific order. I commend Canada under Prime Minister Chretien for its vision and leadership as this year's APEC Chairman. We are happy that Canada was able to take over quickly from our own efforts as last year's APEC Chairman to consolidate open regionalism, freer regional trade and investment and greater regional economic co-operation.

We also recall the positive role Canada has always played as an Asian dialogue partner. In equal measure, we are pleased to work with Canada in the Asian Regional Forum (ARF). Canada has made important contributions toward regional security co-operation, most notably through its involvement in the Indonesia-sponsored workshops on managing potential conflict in the South China Sea. APEC, ARF and the Asian-Canada dialogue are three essential mechanisms that we need to rely on for ensuring long-term stability and progress in our region.

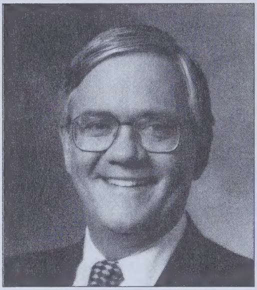
History tells us that arms alone cannot secure peace; that massive wealth by itself will not do it either; and that peace, if it is to prosper, must be indivisible and be more than the mere absence of war.

Our region has had its share of conflict and of bitter historical memories. However the steady growth of our region's economy over the past two decades and the regional co-operation now under way to sustain it gives us the best chance of not repeating the past by offering all Asia-Pacific nations an equal stake in regional prosperity.

Let us not waste this chance.

I thank you all very much.

The appreciation of the meeting was expressed by Ms. Nalini Stewart, O.Ont., President, The Canadian Club of Toronto.



December 4, 1997

Jeffrey S. Chisholm

President, mbanx and Vice Chairman, Electronic Financial Services, Bank of Montreal

VIRTUAL BANKING FOR REAL PEOPLE

Chairman: **Gareth S. Seltzer**
President, The Empire Club of Canada

Head Table Guests

Alex Squires, Managing Partner, Brant Securities Limited and a Director, The Empire Club of Canada; Ben Moull, Honour Student, Forest Hill Collegiate Institute; Rev. Philip Briston, Associate Priest, St. Paul's Anglican Church, Bloor Street; C. Warren Goldring, Chairman and CEO, AGF Management and a Director, The Empire Club Foundation; Bahadur Madhani, Chairman, Board of Trustees, United Way of Greater Toronto; Don Tapscott, Author—"Paradigm Shift," "The Digital Economy," and "Growing up Digital"; John A. MacNaughton, President and CEO, Nesbitt Burns Inc.; John Hayter, Chairman and CEO, Vickers & Benson; and Anne Libby, Owner, Libby's of Toronto and a Director, The Empire Club of Canada.

Introduction by Gareth Seltzer

Having recently watched a fascinating programme on Jobs and Wosniak, the founders of Apple Computer, and being reminded of how recent that "invention" was, I am still astounded that we can send a fax, let alone do our banking on a terminal in our home. The development of virtual banking has provided a means for everyone to access their personal affairs regardless of where they live, how they live or whatever restrictions they have in terms of physical handicap.

mbanx calls itself Canada's first virtual bank and I took a ride on it on the Internet this morning. I found ways to apply for mortgages, pay bills, download personal account information to Quicken software and several glowing biographies of Mr. Chisholm.

We have come a long way since the initial concept of interactive TV. I am reminded of a saying from Alice Kahn who swears she was on the telephone and the electronic answer system said: "For a list of all the ways technology has failed to improve the quality of life, please press three."

I think we can safely say that the concept of electronic virtual banking is an extraordinary step towards improving the manner in which we interact with banks and provide customers with alternative ways of interacting—ways that suit them. One might think that this would be more expensive. It has been said that dealing with bank charges is like being nibbled to death by ducks. The mbanx virtual bank is the opposite. You know what it costs, there are no limits on essentially all the services available to you and they have endorsed the concept that you are not a client of mbanx, but a member. And the membership services manager is our guest today, Mr. Jeffrey S. Chisholm.

Mr. Chisholm was born in Erie, Pennsylvania and, after studying business administration, joined Chicago-based Harris Trust and Savings Bank where he earned a stellar reputation as part of the international banking and treasury group. He moved to Toronto in 1984 when Harris Bank was acquired by the Bank of Montreal and has since enjoyed a very successful career. Mr. Chisholm is active as a director and committee member of numerous professional, academic and charitable organisations and I ask you now to give a warm Empire Club welcome to the President of mbanx, Mr. Jeffrey Chisholm.

Jeffrey Chisholm

Thank you, Gareth, and good afternoon.

It is an honour to be asked to join the long list of distinguished men and women who have addressed the Empire Club of Canada And for me it is a special privilege to speak to the Club about something in which I am deeply interested as well as professionally involved—something which can, I believe, in some measure change the life of every one of us.

I have spent my adult life as a corporate banker but just over a year ago I became a retail banker and what is more, as President of mbanx I became a virtual banker. I should like to spend the better part of my time today saying what that means and why I think virtual banking will be a better kind of banking for us all. And I am going to end with a word of caution about one way in which that promise might be unnecessarily delayed.

Let me begin with this word "virtual," which has become one of the key words of our time. Virtual, in its new sense, is defined as "having the effect but not the actual form" of something. That's especially accurate as it applies to virtual banking. Because it works like banking, it has the same effects as banking, but it clearly does not have the form of the familiar branch on the corner.

To most people most of the time, I suspect "virtual" means something like "totally super-high-tech." It suggests a world free of people; a world which, at best, is like the Holodeck on the Starship "Enterprise," and at worst, is like being trapped inside your own PC. And for me that's emphatically not what virtual banking is all about. I believe that virtual banking is a paradox. It is a creation of technology. It depends completely on technology. But it's not about technology. It's about people. Virtual banking brings the skills and motivation of one set of people—our employees—together with technology to give another set of people—our clients—a level of service perhaps never seen before in the retail banking market.

If that seems a little unplausible, I'd like to ask you to think for a moment about the recent evolution of the financial services marketplace. In the days before 1980, the physical branch was the focal point of our relationship with clients. It was low-tech, if you like, but it was "high-touch." During the 80s and the first half of the 90s, bankers developed a multiplicity of add-on channels like telephones, ABMs and computers—channels that were hi-tech but which isolated the client in a low-touch relationship. Today we are entering a third stage, when high tech is being used more and more to provide high touch in the relationship between the bank and its clients.

I'd like to draw on the example of mbanx, our virtual banking division at Bank of Montreal, to show you something of what this new union of high tech and high touch will mean in practice. In the first place a virtual bank is designed for a particular market segment—time pressed clients, who are comfortable with new ways to access their bank, like computers or the telephone. That is a rapidly growing segment. Perhaps it will soon be the largest segment, when all the ten-year-olds who are now explaining the Internet to their parents grow up and need a bank. But it is the concept of tailoring the service to one part of the market that is truly new and it's a concept that makes possible new levels of service, because we are no longer constrained by having to make one size fit all. Please don't misunderstand this point. I am not here to announce the death of the branch bank. Branches will always be a vital part of banking. However, they are already rapidly ceasing to be transaction centres and are becoming financial services offices comparable to other professional offices—a place where you go monthly or as occasion demands rather than every week.

Second, a virtual bank is open 24 hours a day, every day of the year—a massive change, which we've dubbed "anytime, anywhere, anyhow banking." This is possible because virtual banking is not available just through the Internet as is sometimes thought. It is delivered through banking machines, telephones, the Internet, PC, fax, e-mail, snail-mail (when it's available!) or, yes, even through the branch on the corner. And customers will be able to mix and match in the way that best suits them because, while virtual banking is about accessibility, it is also about choice. Again a virtual bank is a bank for real people who need assistance, seek advice or who even make mistakes and who sometimes need to talk to a financial manager. Virtual banking makes this possible anytime and anywhere which is surely a long step toward "high touch" and the customising of retail banking.

Finally, the electronic technology that makes virtual banking possible also means we can create a system that rewards our clients for the amount of business they do with us each month and thereby makes it worthwhile for them to bring all their business to the bank. Many, perhaps most of you, can appreciate what a huge change that is from the not-too-distant days when the people who handled your mortgage had no idea where you might be buying your mutual funds and did not have the full picture of your financial condition. Again, technology is making it possible but it is people who will make it happen.

mbanx is only one virtual bank, of course, and the field is rapidly growing. Others can and will do things differently but I am confident all of them will try to do at least some of the things we are doing.

But, you may ask, just why is Bank of Montreal doing this? You already have a large branch network. You already have millions of customers. Why rock the boat? Why change a business that has worked well for 180 years? Above all, why compete with yourselves?

The answer is simple. We don't believe that the old ways will allow us to prosper or even survive in an environment where major drivers of change are transforming our industry. Everywhere we look we see boundaries eroding under the impact of information and communication technologies—between nations, organisations, and channels of communication. Electronic information technology has created a rising spiral of expectations as customers imagine their banks can and should give them steadily more speed, convenience and quality.

I've already suggested how social changes mean that more and more people have trouble fitting the demands of work and family into a 24-hour day and this is happening just as the financial needs of many families are becoming not only more complex but also more important to their peace of mind and future security.

And these forces go far to explain another driver—the accelerating pace of restructuring in the North American financial services industry. Open the financial pages almost any week and you will read about another mega-merger or about the powerful niche players in the U.S. who increasingly dominate lines of business like credit cards or mortgages and who will soon be joining us here in Canada.

When we looked at these trends, with what we sincerely hope were clear eyes and good data, we came to a conclusion that for a major financial institution, was rather sobering. It became plain to us that if clients' expectations of speed and convenience are met and if they can be assured of appropriate security then a great many of those clients probably won't care where, or with whom, they do their financial transactions. In other words clients are increasingly up for grabs and this was clearly both too great a risk to ignore and too great an opportunity to let slip.

Hence the decision to launch a virtual banking division at Bank of Montreal. And hence the decision to create a new brand which means of course not just promoting the name, but backing it up with a high and reliable standard of quality. Bankers have to learn to think like the packaged goods marketers such as Proctor & Gamble which will be a challenge, no doubt about it, but which will also be good for us and even better for our customers.

And that brings me from the why of virtual banking to the "how"—a trip behind the screens, if you like, and behind the interactive voice responses—to see how high-quality, high-touch service can be provided each and every time.

The first priority is to establish a standard of transaction quality that is near-perfect in principle and consistently attained in practice. This is simply non-negotiable. You can't constantly ask the client to co-engineer with you while you debug your systems. Like a blind date, you pretty well have to get it right the first time you meet. And if you can do that you also free up people to do the things people do best, such as talk to clients.

The next step—still toward the goal of a virtual bank run by and for people—is to "fine-sort" the client base so offerings appropriate for ever-smaller groups can be developed till eventually one can be designed for the "segment of one"—the individual customer. The aim is to reach a level where each customer has full power to choose among services, products or channels of access at any time but his or her normal needs and preferences are built into the system, and are met without the need to choose them every time. A virtual bank should be as comfortable as a favourite chair.

Last, I believe a virtual bank has to develop a new set of management skills—to learn a great deal about the development of people and the performance of human capital and thereby foster a culture of sensitivity and responsiveness.

Of course the creation of the culture starts with recruitment. There is a huge demand today for skilled people to handle the client interface which in turn means virtual bankers not only have to attract the best and the brightest, they need to understand deeply what motivates them to join a virtual bank in the first place and then know intimately what motivates them to perform once they're on the job.

Again, banks know all about branches with a staff of six, but what is the optimal work environment for the people at the centre of a virtual bank full of diverse and highly motivated individuals with a vast array of expertise? One thing is certain: We have to get away from the repetitive, mass-production image of a traditional tele-marketing centre and move toward the model of the trading rooms in which I used to work, not too long ago—high-profile, rewarding both mentally and financially and on the leading edge of change.

Doing these things means answering some difficult questions. How far can we take our search for productivity through automation without disrupting the people-centred culture we're intent on creating? What functions are uniquely and optimally human? Machines can be temperamental for sure, but they can never be empathetic, supportive or sincere.

The way we at Bank of Montreal have approached this complex human resources challenge may surprise you. Instead of the usual vocational screening that banks do, we assessed candidates almost entirely on the alignment of their personal attributes and values with those of mbanx—looking, in other words, for people who want to serve the client above all else. We believe this is the true core of high-touch banking—an indispensable quality—one that's infinitely more difficult to learn than banking products and services.

Putting it simply, we hire the values and teach the skills. We look for people who are personally in tune with the five values we have developed for mbanx and which we believe will give us a unique and sustainable competitive advantage. Let me list them for you.

First, change is good. This means we must constantly innovate. We must recognise creativity. Challenge old assumptions. Be willing to learn from mistakes.

The second is we believe in better. We must learn continuously. Search constantly for ways to improve the quality of clients' financial lives. Provide the resources for our employees to grow.

A promise is a promise. We must have clarity about our commitments, our capabilities and about the timeliness of our commitments with clients and with each other.

Simple rules that work. We want to drive out complexity everywhere in our business—particularly in process, communications and access.

Everyone is important. Everyone without exception, is important. We must treat all others with the respect we would want for ourselves, all the time.

These are the mbanx values. They may not be appropriate for anyone but us. But for us they are the defining difference in building a strong culture—guideposts that enable our employees to use their best judgment when dealing with clients, rather than a complex set of rules.

Building such a culture is a lot of effort but we believe the alignment of personal and institutional values creates the single strongest point of competitive differentiation that we can attain. In other words, tomorrow's winners will embody the defining characteristic of virtual—that it has the effect, though not the form, of a one-to-one relationship. That will require flawless execution of transactions, customised offerings delivered through a client's preferred access, channel account managers working electronically with clients via screen, voice and video and a group of employees determined to make a difference in the lives of everyone it interacts with, every time.

When will virtual banking reach this state? For our organisation at least, it could and should happen a lot sooner than you think.

For me, and I hope for all of you, that is a bright promise indeed, Yet at the outset I said I wanted to end these remarks with a word of caution. No speech that touches on technology these days can fail to mention the so-called Year 2000 issue. If we do not recognise its seriousness and take the necessary action right away, realising the promise of virtual banking and of many other forms of technological advance could be seriously delayed.

It was only a few years ago that we began to realise that most of the computers of the world are programmed as if history were 99 years long and will end a little less than 25 months from now. For many years only the last two digits of dates were entered in computer codes so that our computers believe that the year 1999 will be followed by the year 1900 and as the year 2000 draws closer, they could well miscalculate everything from insurance policies to soybean futures and airline schedules.

There is a special irony about the approaching change of millennium. Before the year 1000 of the Common Era, many Europeans were convinced that the end of the world was at hand. Their fears obviously proved groundless but now, before the year 2000, we do not believe the world will end, but we really do have something to worry about. My fear is that we may not be worrying enough.

The good news is that at the Bank of Montreal—and I believe the same thing is true of all our major competitors here in Canada—we have seen this coming for some time. We are doing everything possible to correct our systems and I personally have no doubt that they will be fully corrected, well before December 31, 1999 rolls around. Here you can see in action the advantages of a single national banking system.

Unfortunately I am not at all sure that all of the banks in the rest of the world will be ready and I am totally certain that many of the businesses in Canada that depend on computers for their daily operation will not be ready.

And together both the good news and the bad news add up to some serious consequences—consequences that have happened, are happening and could happen.

In the first place, since there is no "silver bullet" which will magically put the two digits back in the codes, the need to review millions of lines of computer code "line by line" is absorbing immense amounts of money and even more skilled programmer time. These resources are out of play, if you like. They cannot be used to bring people what they imagine technology can do.

The pace of technological innovation is already slowing and it is only realistic to expect that it will continue well below its optimum for several years to come.

Then there is networked computing, so widespread today. No networked company is an island. Such companies rely heavily on their electronic connections to suppliers and customers and if their reliance should prove misplaced, the bell could indeed toll for them through the disruption of their systems and delivery processes. And this means that companies will be increasingly cautious about whom they do business with, which is why the Bank of Montreal has introduced a "Year 2000 Checklist" for assessing new credit facilities or renewals for our commercial customers.

We can expect, in fact, that companies will be very cautious about any new ventures that might tie them to uncorrected legacy systems or client-server networks—mergers or acquisitions being an obvious example.

For much the same reason companies could even be cautious about the things they are already doing. It is rumoured that several major airlines have decided not to accept reservations for flights on January 1, 2000, because they are worried that all the ground-based systems they depend on may not be changed in time.

Don't misunderstand me. I am not here to spread alarm and despondency, but simply to call for well-informed and timely action—action like the Canadian banking system is already taking.

Action is imperative because Canada, not to mention the world, faces an utterly serious problem. The costs in money, skills, economic growth foregone and technological advance postponed are already immense and can only grow, even if we are able to escape serious disruptions of our web of information and communications. Everyone in a position of leadership must understand this challenge and accept responsibility for meeting it. And we have only 25 months.

These then are my messages today—the one, a vision of what technology can do and is doing to make banking not merely more convenient but more personal, responsive and humane; the other, a call to action.

Wisely used, technology can greatly enhance our lives; neglected, it can bring us unnecessary disruption and delay. The choice is in our hands.

Thank you.

The appreciation of the meeting was expressed by Alex Squires, Managing Partner, Brant Securities Limited and a Director, The Empire Club of Canada.

December 11, 1997

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

Keith Norton

Chief Commissioner, Human Rights Commission of Ontario

TURNING A SOCIAL PROFIT: HUMAN RIGHTS IN THE AGE OF GLOBALISATION

Chairman: **Gareth S. Seltzer**
President, The Empire Club of Canada

Head Table Guests

Nalini Stewart, O.Ont., President, The Canadian Club of Toronto; Naomi Alboim, Deputy Minister, Ministry of Citizenship, Culture and Recreation; Nela Atchigadu, Student, Parkdale Collegiate Institute; Ed Badovinac, Director, The Empire Club of Canada and Professor of Telecommunications, George Brown College; The Rt. Rev. Art Brown, retired Bishop of York/Scarborough; Gina Saccoccio Brannan, Q.C., Lafleur Brown, Barristers and Solicitors; and Remy Beauregard, Executive Director, Ontario Human Rights Commission.

Introduction by Gareth Seltzer

Martin Luther said that an earthly kingdom cannot exist without inequality of persons. Some must be free, some serfs, some rulers, some subjects. Perhaps in today's culture, we could more accurately say that this is not about entitlement to success. It is about an unimpeded equal opportunity to access happiness and success without being treated unfairly. That could mean as much as being denied an apartment because you are on social assistance or discrimination based on race or creed.

There has been no shortage of initiatives aimed at weeding out the evil of discrimination. Most start off slow—and taper off from there. The Ontario Human Rights Commission is designed as a pro-active organisation that cuts right to the heart of a discrimination allegation by carefully administering the Ontario Human Rights Code.

While one can measure the success of the Commission by both the number of complaints that have been settled while in the informal complaint stage, and those that have been concluded after the formal complaint investigation process—perhaps even through the courts—to me the most significant characteristic of the Human Rights Commission is that it exists.

From 1975–1985, Mr. Norton represented Kingston and the Islands in the Ontario Legislature and in 1985 served at the School of Business at Queen's University. He was President of the Canadian Rights Tribunal from 1992–1995, Mr. Norton was appointed Chief Commissioner of the Ontario Human Rights Commission on July 18, 1996. I think it is fair to say he has been a provocative commissioner during his tenure. We are delighted to welcome to the podium, Commissioner Keith Norton.

Keith Norton

Good afternoon, ladies and gentlemen. It's an honour for me to speak in such a distinguished forum—one which has entertained business, political, and community leaders from around the world.

The Empire Club's invitation on this first day of the 50th anniversary year of the Universal Declaration of Human Rights is timely. It will become increasingly clear to you, as I lay out my thoughts, that I believe you and your peers in the Canadian business community have an important role to play in preserving this country's position as a leader and standard-setter in the field of human rights.

One observation, in particular, lends support to that belief: Business leaders are often in a unique position to advance human rights causes. Unlike political leaders, your sphere of influence is not limited by provincial and national boundaries nor by the same political pressures often brought to bear on elected officials.

I do want to explore that point. I believe it's an important one. This is the era of NAFTA, the Multilateral Agreement on Investment and expanding trade with traditional outsider nations—most notably the countries of the former Soviet Union and China.

The boundaries on trade opportunity are disappearing over the horizon. Business interests now have the potential to reach into virtually every corner of the world. This places business in a powerful position to shape social climates and standards of living the world over. But before I get carried away with the human rights implications of a global economy, I want to spend a couple of minutes challenging a few common misconceptions that often stand in the way of a clear discussion of human rights issues.

The first misconception I want to focus on is the one that often forms around the very term "human rights." The words have taken a beating in some quarters over the last few years, accumulating layers of negativity, largely because of a lot of misplaced anger and frustration.

For the purposes of this discussion, I want to draw your attention to what I believe are three important, well-defined aspects of the human character. First, we have an unerring attraction to order and ritual. Second, we have a limitless appetite for defining the limits of right and wrong—for branding behaviours acceptable and unacceptable. And third, I believe that it is the very essence of civilised humanity to seek out, grasp, and affirm human dignity.

We clearly demonstrate these traits when, as civilised people, we are faced with unbridled brutality and are compelled to deal with a fundamental question: If we assume that we have certain basic rights, how can we assume that others do not? History presents us with innumerable examples of civilisations first recoiling in horror at extreme attacks on human dignity and then, in a moment of sudden self-awareness and empathy, reacting to them with righteous condemnation.

This century's most explicit example—World War II, and the Holocaust perpetrated in the course of that conflict—led to the landmark Nuremberg trials of Nazi war criminals, and, ultimately, the Universal Declaration of Human Rights, signed on December 10, 1948. The Declaration was conceived as an expression of civilisation's belief in the primacy of human dignity.

I'm not saying that the international team—which I should note included Canadian John Humphrey—invented human rights. As the Declaration itself states: "Human rights are inherent." Human rights are universal—a condition of humanity.

Numerous civilisations have grown and waned over the course of human existence, many of them sharing and enshrining to various degrees basic principles of human dignity. Some obvious examples spring to mind: England's Magna Carta; France's Declaration of the Rights of Man and of the Citizen; the American Bill of Rights.

The UN team sought to further protect those fundamental principles by setting them down in a document that would not be limited by national jurisdictions. As the name and the preamble to the Declaration clearly state, they wanted these principles to be accepted universally. The Declaration begins with these words: "Whereas recognition of the inherent dignity and of the equal and inalienable rights of all members of the human family is the foundation of freedom, justice and peace in the world..."

While I believe it is extremely important to hold on to the idealism captured in those words, we must also recognise that the pursuit of well-defined human rights is a journey without end. The capacity of language—or lack of it—will always limit our efforts and lead to debate. For that reason, setting down a code of human rights represents only one part of the effort that is necessary to ensure the recognition of human dignity.

If we aspire, as the Declaration states, to "a world in which human beings shall enjoy freedom of speech and belief and freedom from fear and want," we as persons living in a civilised society have a responsibility to improve our understanding of how best to protect, promote and preserve those fundamental human rights. That responsibility is shared by governments, corporations, and individuals alike.

Governments have been working at this for some time. Here in Ontario, the effort to codify individual rights and responsibilities has a 200-year tradition. Back in 1793, John Graves Simcoe, the Lieutenant-Governor of Upper Canada at the time, passed an anti-slavery decree. It was called "An Act to Prevent the Further Introduction of Slaves and to Limit the Term of Contracts for Servitude within the Province." It was the first of its kind in the British Empire and predated by 70 years the Emancipation Proclamation in the United States.

The effect was immediate. Ontario became a refuge for American slaves seeking freedom. I think this event is important because it gives one a sense of the depth of this country's reputation as a welcoming destination for people facing repression at home. A reputation, I hasten to add, blighted by Canada's response to Jewish refugees from Germany prior to World War II.

The Ontario Human Rights Commission is simply one of the more recent expressions of the government's efforts to safeguard human dignity. Modern rights codes and agencies are intended to assist society. They are legal and practical expressions of our desire to safeguard the individual's right to basic dignity, respect and equality of treatment.

That, generally speaking, is not the current image of the modern rights agencies. Too often—and this is certainly true of the Ontario Commission—they are perceived as guardians of special interests. I hear that a lot. The rights enforcement system is perceived as a means for victims to retaliate against their victimisers. The spread of this, the second on my list of misconceptions, can have unfortunate consequences.

I believe this misconception arises from the often adversarial nature of the process. Frustration with the process can lead to discontentment with the whole system. Ultimately, annoyance with the mechanisms of human rights enforcement can translate into an undermining of confidence in the basic principles at the system's core. The challenge is to ensure that the mechanisms operate in as effective a manner as possible without jeopardising confidence and the fundamental need to protect individual rights.

There is one last misconception I want to deal with. This one relates to the widely acknowledged and remarkable diversity of our society. Recent surveys indicate that Toronto is now home to people from over 100 different ethno-cultural traditions, speaking an equally wide variety of languages. Probably no other place on this planet can claim that degree of diversity.

Given the experience in other parts of the world, we have been amazingly successful in getting along with one another. I happen to believe—and I realise that I am not even remotely alone in this—that our diversity is one of our greatest strengths. I'll say more about this later. But for the moment, I want to point out that the very fact of our diversity has the potential to lead us into conflict with one another.

Despite our relative success in embracing diversity, there are deep differences present among the cultures of this province. And when the stress of managing those differences begins to overtake our capacity to cope, it is important that we have a forum to which we can turn.

One of the most important jobs of the Human Rights Commission is to help sort through the conflicts that can result from what might be referred to as "diversity stress"—and bring those clashes to a satisfactory conclusion. This is not the most widely publicised aspect of the Commission's work. But I cannot stress enough that mediation of conflicts before they reach the Board of Inquiry stage is one of our most important roles.

The danger that diversity stress poses to the protection of human rights lies in the anger and frustration that often accompanies these disputes. The stress can lead people to misguidedly reject diversity, reject the process and, as a consequence, neglect the important task of safeguarding human dignity.

Fortunately, we live in a country where we have been largely sheltered from the extremes that inspire the writing of documents like the Universal Declaration of Human Rights. We rightfully pride ourselves in our reputation as a progressive, diverse and tolerant nation. We have worked hard to achieve our status as a regular number one on the UN's list of the best countries in which to live.

As with all leadership positions, however, there are times when the title can seem a little onerous. Leaders are placed under intense scrutiny. The bragging rights that come with being first also come with a responsibility to uphold the standard.

One of my primary goals here today is to chip away at that sense of burden. I think it's important that we redirect our attention to the inherent advantages of being in the lead. We must not be smug, or take it for granted. But our position does present us with opportunities; we do have a healthy surplus in our credibility account.

The idea of the global economy pervades our thinking these days. Everyone talks of international competition and the importance of remaining competitive. Canada has a distinct advantage in this area. The same diversity and record of tolerance that often wins the day for us in the

UN surveys is, arguably, one of our strongest calling cards in the marketplace.

The very fact of placing first regularly on the UN survey is an attention-getter. Eyes around the world turn to look at this northern neighbour of the United States. You can't buy better advertising. But this only touches the surface. To truly understand the advantage we have to look deeper.

A recent paper by Dr. Geoffrey Gandz, of the Richard Ivy School of Business at the University of Western Ontario, lays out the fundamental arguments in favour of diversity as a competitive advantage.

Our diverse population base yields a startling array of talent and skill. But I should point out that one area where we have been particularly remiss is in working with the aboriginal populations of this country.

Just last week, a letter to the editor of the Toronto Star addressed this very point. It was written by Charlie Coffey, a Vice-President with the Royal Bank of Canada. Mr. Coffey suggests: "While maintaining a discreet silence may seem easier than addressing the complex socio-economic issues that have marginalised aboriginal people, Canadian society cannot afford the cost of doing nothing."

Mr. Coffey goes on to outline the "ticking time bomb" of growth in the aboriginal population combined with inaction on the part of governments and the business community to address these socio-economic issues. He wraps up his letter with a challenge. He challenges "every business in Canada to ask itself whether it is doing its part to remove the barriers and provide the opportunities that will enable aboriginal people to become full participants in our society and our economy."

As Mr. Coffey's letter suggests very clearly, remaining on top of the UN ladder will require us to turn our collective efforts to remedying this situation. In short, if we are going to use our diversity to maximum advantage in the world marketplace, we will have to continue the hard work of creating a coherent strategy that allows that diversity of skills to shine through.

Dr. Gandz's arguments in favour of a diverse work force are quite straightforward. They are largely contained in a paper called "A Business Case for Diversity." Dr. Gandz makes a very clear argument for diversity as a business advantage. He writes: "To be able to plan and develop products and services which appeal to an increasingly diverse marketplace and taxpaying public, to compete in the new global economy, requires diversity in the workplace ... To solve problems creatively, obtain and profit from new strategic viewpoints and approaches requires diversity. To be perceived as a good corporate citizen, to attract needed investment, and to attain excellent bottom-line results requires diversity."

Many of the points Dr. Gandz makes are rapidly becoming the accepted wisdom of global competitors. They are all relevant, but I want to focus particular attention on the last of the points I just listed because it bears most directly on the point I am trying to drive home.

Gandz talks of being perceived as a good corporate citizen. (Here we are, back at our ingrained and inherent attraction to fairness.) There are innumerable examples of companies whose business practices have been found wanting in the court of public opinion. Just look at what happened to Nike when it was accused of using child labour to produce its highly profitable line of sportswear.

Take Shell Oil as another example. Shell, despite objections from various governments, NGOs, activists and the families of the victims chose to continue doing business in Nigeria after that state had executed dissident writer Ken Saro Wiwa. The rebuke was immediate. Shell came under fire from the public for ignoring this basic violation of one person's rights. Needless to say, that kind of publicity is not good for business. Shell recognised its error. It came to understand that the public outrage was based, once again, on the fundamental desire to speak out in protection of basic human dignity.

The happy ending to this story is that Shell did not simply retreat, beaten back by righteous indignation. Shell recognised the opportunity it had and has moved to assert its commitment to protecting human rights.

Only three months ago on September 5, Shell Canada became one of the founding signatories to a new International Code of Ethics for Canadian Business. The initiative, led by Canadian Occidental Petroleum Limited and signed by 12 other Canadian corporations, indicates a clear recognition on the part of these forward-thinking companies that they have growing influence in the area of human development. As powerful participants in the lives of countries all over the world, they recognise the influence—and responsibility—they now have in shaping the moral fabric of those countries. They have recognised that economic development and respect for human rights go hand in hand.

This should not necessarily come as a surprise to anyone. Progressive private-sector employers and unions have frequently taken the initiative in social reform—notably in the areas of same-sex benefits, health-care benefits and daycare.

The private sector's growing influence is not only present in foreign markets. Here at home, as government moves quickly to limit, as much as possible, its impact on the free flow of the market economy, corporations are coming under greater pressure to provide for and protect the people who work for them—partly because it's good to have a committed work force and partly because, as Gandz says, it's important to be perceived as a good corporate citizen.

You can see signs of this pressure everywhere. The banks routinely come under fire for their sizable profits. However, they also share the praise for their numerous community programmes in the arts, recreation and health care. More and more, corporations are being judged not only by their ability to turn a monetary profit, but also their ability to turn a social profit. And—equally important—business is recognising that turning a social profit is good for the bottom line.

I believe this still-evolving dynamic is all to the good because, in the end, our effort to seek out dignity and the decisions that help or hinder that search are an individual responsibility. While we can all help one another, through institutions like a corporate environmental foundation, or a community-based social aid agency, or the Ontario Human Rights Commission, the task of protecting and preserving human dignity is, ultimately, our responsibility as individual members of civic and corporate society.

I come from the school of thought that believes rights and responsibilities are a matching set. You can't have one without the other. That leads me to the conclusion that the best way to protect our own rights is to take on the responsibility of asserting the rights of others.

I don't think anyone has captured this point more succinctly or eloquently than Martin Niemoeller. Niemoeller was a Protestant preacher in Germany during the Second World War, and, like many citizens of that country at that time, he was arrested and imprisoned for displaying allegedly anti-social behaviour. While in detention he captured his own sense of failure and responsibility in these words: "In Germany they came first for the communists, and I didn't speak up because I wasn't a communist. Then they came for the Jews, and I didn't speak up because I wasn't a Jew. Then they came for the trade unionists, and I didn't speak up because I wasn't a trade unionist. Then they came for the Catholics and I didn't speak up because I was a Protestant. Then they came for me and by that time no one was left to speak up."

That sense of individual responsibility is also powerfully captured in one of my favourite films—a 1961 blockbuster called "Judgment at Nuremberg." Some of you may remember it. It stars Spencer Tracy in one of his last films as an old district court judge from Maine.

Tracy's character, Judge Haywood, is dispatched to Nuremberg in 1948 to participate in the final stages of the war crimes trials. He is charged with the task of hearing the case of four members of the judiciary, all of whom are charged with aiding in the slaughter of thousands by adhering to the dictates of Nazi law.

Tracy's dilemma is to decide whether these individuals should be found culpable simply for doing their jobs. As one of the accused states as he awaits judgment: "I have served my country throughout my life, and in whatever position I was assigned to. I followed the concept that I believe to be the highest in my profession, the concept that says, 'To sacrifice one's own sense of justice to the authoritative legal order, to ask only what the law is and not to ask whether it is also justice. As a judge I could do no other.'"

His words seem to have the ring of truth, even for those who are not involved in the business of law. We often hear, "I'm just doing my job," or, "I don't make the rules." We regularly defer to authority. Judge Haywood, Tracy's character, understands this. But he also recognises a higher authority, the same authority that inspired the creators of the Universal Declaration of Human Rights.

"A decision must be made in the life of every nation," Haywood explains, "at the very moment when the grasp of the enemy is at its throat; then it seems that the only way to survive is to use the means of the enemy, to rest survival on what is expedient; to look the other way."

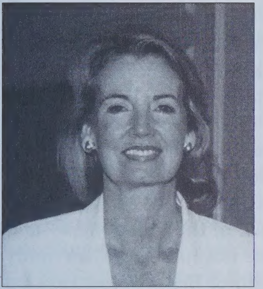
Those words have clear relevance today. How often do we hear people speak of the "demands of the global economy" and the rough and tumble nature of international competition. When we find ourselves turning to these axioms as defence against questionable behaviour or as an excuse for ignoring some of the atrocities committed in the world today, we would do well to heed Judge Haywood's final words. "A country," he says—but one might just as easily read corporation or individual—"is what it stands for when it's the most difficult. This is what we stand for: justice, truth, and the value of a single human being."

This is the legacy of the Universal Declaration of Human Rights. In times of rapid change, the Declaration serves as an important touchstone. When the fog of political and economic rivalries rolls across the world's landscape, the Declaration serves as a reminder of our fundamental responsibilities as civilised people.

It's easy to get carried away with the idealism that lies at the heart of documents like the Declaration. I know. I regularly succumb to it myself. But, at its heart, the Declaration and the codes and commissions that have followed from it, are an expression of our basic desire and need to foster and protect human dignity. I believe that is the most noble effort to which we can aspire.

Thank you for the opportunity to speak here today and thank you for your kind attention.

The appreciation of the meeting was expressed by Nalini Stewart, O.Ont., President, The Canadian Club of Toronto.



December 18, 1997

Her Honour Hilary M. Weston

Lieutenant-Governor of Ontario

CHRISTMAS LUNCHEON

Seasons Greetings from the Lieutenant-Governor and Special Performance by the St. Michael's Choir School

Chairman: **Gareth S. Seltzer**
President, The Empire Club of Canada

Head Table Guests

Larry Stout, Broadcaster, CTV Television News and a Director, The Empire Club of Canada; Katie McLaughlin, Head Girl, Bishop Strachan School, Toronto; Prof. Thomas H.B. Symons, Founding President and former Chancellor, Trent University; Dorene Seltzer, Volunteer, The Art Gallery of Ontario, The Royal Ontario Museum and The Arts & Letters Club; Ed Mirvish, President and CEO, Honest Ed's Ltd.; Paul Henderson, Athletes in Action; Seana Massey, Executive Director, The African Medical and Research Foundation (AMREF); The Rt. Rev. Terence E. Finlay, Bishop of Toronto, The Anglican Church of Canada; Arthur Lee, Solidwear Inc.; Gwyn Wilmot, Director, The Empire Club of Canada; Ralph Ellis, Documentary Filmmaker, President, Keg Promotions; Brent Merrill, CFO, Metro Capital Group; Sandra Whiting, Program Co-ordinator, Harbourfront and President, The Black Business and Professional People's Association; Fung Fai Lam, Vice-President, Society of Motion Picture and Television Engineers; and George Cooke, First Vice-President, The Empire Club of Canada and President, Dominion of Canada General Insurance.

Recognition

A new tradition has begun this year. We chose to recognise the accomplishments of a number of outstanding Canadians. In the presence of Her Honour, the Lieutenant-Governor of Ontario, Hilary M. Weston, I am pleased to acknowledge our very special guests at the head table for this luncheon and several charitable organisations that were specially recognised this year.

At an Empire Club meeting two weeks ago, we hosted his Excellency President Ramos of the Republic of the Philippines—and he was amused that we asked the audience not to applaud anybody at our head table—at least not until the end of the process. He said it wouldn't fly in Asia; they love to hear applause! Today, I am breaking Empire Club tradition—in part as recognition, your Honour, of the exceptional individuals who have joined us to be recognised by the Empire Club of Canada.

Larry Stout. A long-time Director of the Empire Club of Canada—who with the help of fellow Director extraordinaire, Maria Roman-Bricknell and Sam Billich essentially put this whole event together. You may recognise him as the very believable anchorman on CTV News—or perhaps from the many other reporting assignments he has had over the years. Mr. Stout, you have outdone yourself again—and on behalf of the Club and all of us here, our thanks for your terrific contribution today.

Katie McLaughlin. It is the tradition of the Empire Club that at every lunch we invite as our guest, a student who is recognised as an example to his or her peers. It is my pleasure to introduce such a student today—Katie McLaughlin, Head Girl of Bishop Strachan School in Toronto.

Douglas Derry. I am pleased to recognise a long-time supporter of the Empire Club. He was President of the Empire Club in 1983–1984, has enjoyed a distinguished career with Price Waterhouse and is the Chairman of the Empire Club Foundation which publishes the speeches of the Club—and has done since 1903. Please welcome Mr. Douglas Derry.

Professor Thomas Symons. The founding President and former Chancellor of Trent University, one outstanding academic who had the foresight to put a university in one of the most beautiful communities in Ontario—Peterborough.

Dorene Seltzer. My mother, Rae Dorene Seltzer has come to a couple of lunches this year to witness her son in action but seemed particularly moved to come today after she clearly understood that the lunch would be free. When widowed four years ago, my mother had a choice of withdrawing—or the tough task of renewing herself. Spending summers studying at Cambridge, working at several volunteer jobs at the same time and visiting friends around the world sounds like my mother has her ducks in a row, doesn't it? I love you—and enjoy your free lunch.

Ed Mirvish. I have had the good fortune to meet Mr. Mirvish on many occasions, most recently on the occasion of the Queen's visit to Toronto. He said to me then that while he was honoured to have been decorated by the Queen, when he got home he still had to take the garbage out. Nearly 30 years ago when he opened Ed's Warehouse, he hired the fanciest chefs to make roast beef and after watching them for a while he figured he was paying them way too much. So he went to the gentleman who ran the parking lot and said: "Come on in, watch these guys and if you think you can do the cooking I'll get rid of the fancy boys and you can be the chef." Nearly 30 years later, the same former parking lot manager is the chef and the food is as good as ever. Please give a warm welcome to Mr. Ed Mirvish—a shy, outgoing ballroom-dancing businessman extraordinaire.

Paul Henderson. Just over 25 years ago, Mr. Henderson scored the goal against the Russians which was heard around the world. Now he is dedicated to excellence in public service and to Christian ministry in sports. Please welcome Paul Henderson. Mr. Henderson was last seen at the Empire Club head table when we hosted the Rev. Billy Graham. At that lunch, Mr. Graham collapsed mid speech and that was the end of the luncheon. You might be wondering why we haven't asked him back for a while. In the presence of the Bishop, we figured we were safe today.

Seana Massey. Ms. Massey is Executive Director of the African Medical and Research Foundation. I first met Seana over breakfast a couple of months ago and it took her about 45 seconds to ask me for money. AMREF, as the organisation is called, is an organisation that has been working to improve health care in East and Southern Africa for 40 years—and whose work includes the famous Flying Doctors Service. Literature regarding this amazing organisation is on many of the tables, and I encourage you to support this organisation.

Terence E. Finlay. The Empire Club Honorary Chaplain, the Bishop of Toronto, the Anglican Church of Canada. We are delighted that you have joined us as Honorary Chaplain, Bishop. As Don Mattingly once said: "Your reputation proceeded you before you got here."

George Cooke. Mr. Cooke is First Vice-President, The Empire Club of Canada and President of the Dominion of Canada General Insurance. Mr. Cooke is accomplished at so many things—and does them so well. He defines the adage: Give a busy man something to do and it gets done. We are delighted you are here today Mr. Cooke—and thank you to Dominion of Canada General Insurance for their very generous sponsorship of the head table today.

Fung Fai Lam. Retired executive of Sony Canada. Mr. Lam is also Vice-President, the Society of Motion Picture and Television Engineers and a life-long servant to the St. Johns Ambulance. We thank you for joining us today.

Sandra Whiting. President, the Black Business and Professional Peoples Association and Program Co-ordinator for Harbourfront. You have had a tough job but let me say on behalf of all of us here: The harbourfront is a jewel in this city and we are delighted to recognise today the fine work you do and thank you for joining us today.

Brent Merrill. Many of you will recall an horrific crash between a fire truck and a Brink's truck in downtown Toronto this past summer. Mr. Merrill risked his life and rescued two firemen only moments before the vehicles were completely engulfed by flames. You are an example to all of us, and I am pleased that you could join us today.

Ralph Ellis. I am very pleased to introduce to you somebody whom you may not recognise but whose work you would certainly know. Mr. Ralph Ellis has been making documentary films related to nature for years and in addition to running his own production firm, Keg Productions, is perhaps best known for his acclaimed series "Adventures in Rainbow Country."

Gywn Wilmot. I am very pleased to introduce to you an individual who joins us in her first appearance as a Director of the Empire Club of Canada. I asked Mrs. Wilmot this morning how she would like to be introduced, and she quietly said that it was difficult to say things about yourself. Gywn Wilmot has served our community—nationally and locally—well—as a Director of the national YWCA, as a Director of the Big Sisters organisation, a past Director of Bishop Strachan School and has been associated with the Lieutenant-Governor's Office since 1983. Mrs. Wilmot was appointed Lady in Waiting to Her Majesty Queen Elizabeth in 1983, and was made a Lieutenant of the Royal Victorian Order. We welcome you to your first event as a Director of the Empire Club of Canada.

Arthur Lee. Lt. Col. John McCrae, a medical doctor, was the author of "In Flanders Fields." He wrote the poem after the first German gas attacks in 1915. A Canadian, he is buried along the coastal road near Boulogne, France where he died on January 8th, 1918—a victim of pneumonia. In Flander's Fields you are reminded of the tragedy of war—but what reminds us of this remarkable

Canadian who penned this incredible poem? One extraordinary symbol of this man is his medals which were recently auctioned off to the highest bidder. Mr. Arthur Lee showed up at the auction not even knowing of John McCrae. He read the story in material handed out at the auction and knew that the medals had to stay in Canada and bought them. Your Honour, ladies and gentleman, please welcome Mr. Arthur Lee of Solidwear Inc.

We also recognise the Canadian Breast Cancer Foundation. You will have seen the booth coming in. The Canadian Breast Cancer Foundation's sole mandate is to raise money in support of breast cancer research, education, diagnosis and treatment. It has been estimated that approximately 18,400 Canadian women will develop breast cancer in 1997. This means that one in nine Canadian women can expect to develop breast cancer during her lifetime. Research conducted on breast cancer expands our knowledge of all types of cancer. Please take a moment to visit the booth on the way out and I would like to introduce to you the Ontario Funds Development Manager of the Foundation, Erin McBride.

Introduction by Gareth Seltzer

I am delighted now to introduce to you Ontario's 26th Lieutenant-Governor since Confederation. Her Honour, Hilary M. Weston, has included as part of her mandate the celebration of volunteerism and it is in that spirit that we are gathered here today and in such good company—and I mean, all of you. Her Honour's efforts in support of women's issues, education, and community issues long precedes her appointment as Lieutenant-Governor. It is our honour that you grace us today and I ask you now to bring greetings from the Queen.

Lieutenant-Governor Weston

Good afternoon ladies and gentlemen. It is a great pleasure for me to be with you today as Honorary Vice-President of the Empire Club of Canada. At this time last year, I was looking forward with excitement, and not a little trepidation, to taking on the duties of Lieutenant-Governor.

Since January I have travelled to places I have never explored before. I have been inspired by the goodness and spirit of people I have met, both young and old, who have given unselfishly of themselves to others as the unsung heroes of our communities.

Everywhere I go I am greeted with a respect for my office which tells me that, even as we move confidently towards a new millennium, there remains a deep fondness for the traditions that connect us to the past. The Empire Club is such a tradition, celebrating as it will in 1998, 95 years in existence. Today we are also in the company of some of those unseen heroes, although neither Brent Merrill nor Arthur Lee may consider themselves such. However, these men are indeed heroes and they honour us with their presence. Courage comes in many forms. I would like to take the opportunity to applaud as heroes doctors who work with AMREF in primitive conditions, organisations such as the Daily Bread Food Bank for providing food to people who need it and to the Canadian Breast Cancer Foundation for its tireless efforts in helping so many. I congratulate the Empire Club on its decision to highlight these issues at this year's Christmas luncheon.

As we prepare for the joy of celebrating Christmas with our families and friends, it is right and proper that we remember those who are less fortunate. For all the gloomy critics who claim that Christmas is nothing more than a commercial bonanza—an extravaganza of spending, eating and drinking—it is a fact that this is the time of year when we remember those whom we have loved and lost and when we renew old friendships and open our hearts to those in need.

There is a Chinese proverb which tells us that, to gain happiness for a day, go fishing; to gain happiness for a year, inherit a fortune; but to gain happiness for a lifetime, we should help someone else.

Christmas is a good time to start laying in that lifetime store of happiness. Who among us does not look forward to a New Year, with its limitless opportunities to make things better, to do things differently, to make the changes we have been contemplating—to our lives, our careers or our waistlines?

It is my pleasure as her Majesty's Representative in the province of Ontario to bring to you all greetings and salutations at this happy time. Merry Christmas.

Thank you.

Gareth Seltzer

Thank you Your Honour and again our thanks for the exceptional example you set for us all.

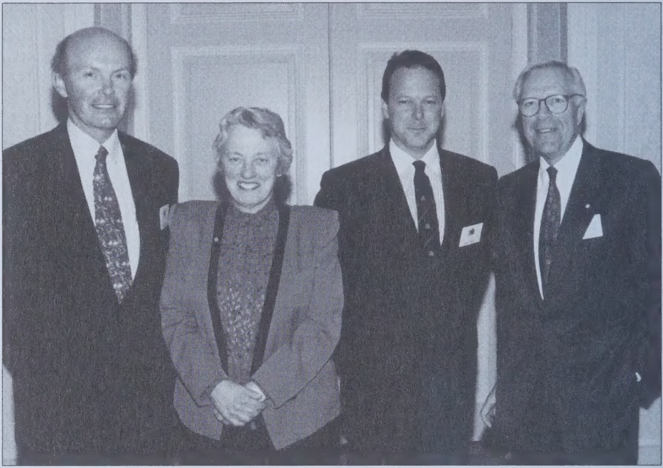
I now have the privilege of introducing to you the St. Michael's Choir School.

The appreciation of the meeting was expressed by Larry Stout, Broadcaster, CTV Television News and a Director, The Empire Club of Canada.

Tom Clark, National Editor, Baton Broadcasting Service, Catherine Charlton, Chair, Toronto Branch, Royal Commonwealth Society of Canada and a Past President, The Empire Club of Canada, The Honourable Hilary M. Weston, Lieutenant-Governor of Ontario, Gareth Seltzer, President, The Empire Club of Canada and Mike Duffy, Host, Editor-in-Chief, Baton Broadcasting's Sunday Edition.

Gareth Seltzer, President, The Empire Club of Canada and Vice-President, Private Wealth Management, Guardian Capital Advisors and Guy Bertrand President, Citizens for a Democratic Nation Movement.

Guy Bertrand, President, Citizens for a Democratic Nation Movement and The Rev. Kim Beard, Rector, Christ Church Brampton and a Director, The Empire Club of Canada.



Peter Y. Atkinson, Vice-President and General Counsel, Hollinger Inc., Libby Burnham, Q.C., Immediate Past President, The Canadian Club of Toronto and Counsel, Borden & Elliot, Gareth Seltzer, President, The Empire Club of Canada and Vice-President, Private Wealth Management, Guardian Capital Advisors and Knowlton Nash, Broadcaster and Author and President, The Canadian Journalism Foundation.

Rick Anderson and Preston Manning, MP Calgary Southwest and Leader of the Official Opposition.

Sandra Manning, Partner, Lifestyle Reality and wife of Preston Manning, Preston Manning, M.P., Leader, Reform Party of Canada and Willis L. Blair, Secretary, The Empire Club of Canada.

The Honourable Hilary M. Weston, Lieutenant-Governor of Ontario, Dorene Seltzer, Volunteer—AGO, ROM, and The Arts & Letters Club and Gareth Seltzer, President, The Empire Club of Canada.

Tom Clark, National Editor, Baton Broadcasting Service, Jocelyn Badovinac, Teacher of English as a Second Language and Officer of the Society of Archeological Institutes of America, Toronto Branch, Mike Duffy, Host, Editor-in-Chief, Baton Broadcasting's Sunday Edition and Ed Badovinac, Professor, Department of Telecommunications, George Brown College, Director, The Empire Club of Canada and Chairman of The Empire Club Yearbook.

Bobbie Gaunt, President and CEO, Ford Motor Company of Canada, Limited and Blake Goldring, President and C.O.O., AGF Management Limited and a Director, The Empire Club of Canada.

Gordon K. McIvor, Director, The Canadian Club of Toronto and Vice-President, Public and Government Affairs, Canada Lands Company Limited, General Paul A. Rader, International Leader, The Salvation Army, London, England and Gareth Seltzer, President, The Empire Club of Canada and Vice-President, Private Wealth Management, Guardian Capital Advisors.

Robert J. Dechert, Partner, Gowling, Strathy & Henderson and First Vice-President, The Empire Club of Canada and Christopher Bunting, Chairman & CEO, Shandwick Canada.

Gareth Seltzer, President, The Empire Club of Canada and Vice-President, Private Wealth Management, Guardian Capital Advisors, His Honour Justice Charles L. Dubin, Counsel, Tory Tory DesLaurier and Binnington and former Chief Justice of the Ontario Court of Appeal and Alan Borovoy, General Counsel, The Canadian Civil Liberties Association.

Kevin Benson, President and CEO, Canadian Airlines International Ltd. and Canadian Airlines Corporation and Gareth Seltzer, President, The Empire Club of Canada and Vice-President, Private Wealth Management, Guardian Capital Advisors.

Marilyn Pilkington, Dean, Osgoode Hall Law School and a past Member of the Canadian Human Rights Tribunal, Peter W. Hogg, Scholar in Residence, Blake Cassels & Graydon and Professor of Law, Osgoode Hall Law School and Sir Stephen Sedley, Justice of the High Court, England and one of England's foremost constitutional lawyers.

George A. Cohon, Senior Chairman, McDonald's Restaurants of Canada and Russia, Maureen Shaughnessy Kitts, Director, Communications and Public Affairs, McDonald's Restaurants of Canada and Eric Jackman, Ph.D., President, Invicta Investments Inc., Chairman of The Jackman Foundation and The Art Gallery of Ontario, Chancellor of The University of Windsor and a Past President, The Empire Club of Canada.

Ann Curran, Partner, Lewis Companies Inc. and Director, The Empire Club of Canada and George A. Cohon, Senior Chairman, McDonald's Restaurants of Canada and Russia.

Brian Barry, President, Ericsson Communications Inc., Lionel Hurtubise, Chairman, Ericsson Communications Inc. and Gareth Seltzer, President, The Empire Club of Canada and Vice-President, Private Wealth Management, Guardian Capital Advisors.

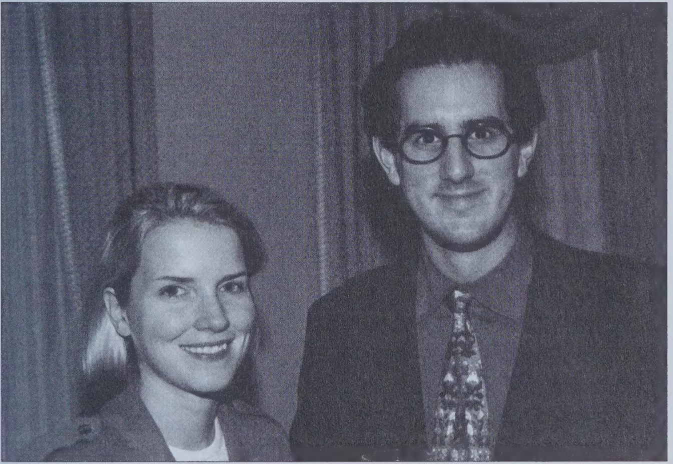
Robert L. Brooks, Executive Vice-President, Investment Banking, Bank of Nova Scotia and a Past President, The Empire Club of Canada and Tony van Straubenzee, Partner, Insite Institute and Past President, The Empire Club of Canada.

Outgoing CIBC Chairman and CEO Al flood with Gareth Seltzer.

The Hon. Henry N.R. Jackman, C.M., K.St.J., B.A., LL.B., LL.D., Chancellor of the University of Toronto and Honorary Chairman, The Empire Club of Canada, Gareth Seltzer, President, The Empire Club of Canada and Vice-President, Private Wealth Management, Guardian Capital Advisors and Dr. Rev. Pagtakhan, MP, Parliamentary Secretary to the Prime Minister.

Duncan N.R. Jackman, Managing Director, Fulcrum Investments and a Director, The Empire Club of Canada, Vic De Zen, Chairman, President and CEO, Royal Group Technologies, Dorene Seltzer, Volunteer—AGO, ROM and The Arts & Letters Club, His Excellency Fidel V. Ramos, President of The Republic of the Philippines, Gareth Seltzer, President, The Empire Club of Canada and Vice-President, Private Wealth Management, Guardian Capital Advisors and Dr. Rev. Pagtakhan, MP, Parliamentary Secretary to the Prime Minister.

Ms. Nalini Stewart, O.Ont., President, The Canadian Club of Toronto, H.E. Fidel V. Ramos, President of the Republic of the Philippines and Gareth Seltzer, President, The Empire Club of Canada and Vice-President, Private Wealth Management, Guardian Capital Advisors.



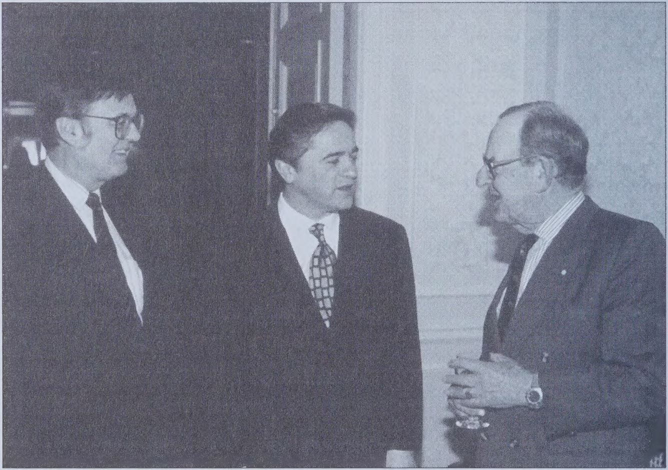
Christine Hughes, Canadian Equity Portfolio Manager and Duncan N.R. Jackman, Managing Director, Fulcrum Investments and a Director, The Empire Club of Canada.

John A. MacNaughton, President and CEO, Nesbitt Burns Inc. and a Past President, The Empire Club of Canada, C. Warren Goldring, Chairman and CEO, AGF Management and a Director, The Empire Club Foundation, Jeffrey S. Chisholm, President, mbanx and Vice Chairman, Electronic Financial Services, Bank of Montreal and Gareth Seltzer, President, The Empire Club of Canada and Vice-President, Private Wealth Management, Guardian Capital Advisors.

Ms. Nalini Stewart, O.Ont., President, The Canadian Club of Toronto, Keith Norton, Chief Commissioner, Human Rights Commission of Ontario and Gareth Seltzer, President, The Empire Club of Canada and Vice-President, Private Wealth Management, Guardian Capital Advisors.

Dr. Bernard J. Shapiro, Principal and Vice Chancellor, McGill University, Veronica Lacey, Deputy Minister of Education, Ontario Government and Dr. Claude Lajeunnesse, President, Ryerson Polytechnic University.

Harry Seymour, a Past President, The Empire Club of Canada, Robert Lantos, Barbara McDougall and Gareth Seltzer, President, The Empire Club of Canada.



Empire Club Director, Edward Badovinac meeting Brian Tobin, Premier of Newfoundland and Labrador with The Hon. Barnett Danson.

Robert Dechert, Second Vice-President, The Empire Club of Canada with Ontario Transportation Minister, Al Palladini and William Ostrander, Partner, Gowling, Strathy & Henderson.

Empire Club President Gareth Seltzer, with the Empire Club Honorary Chairman, The Hon. Henry N.R. Jackman, Bluma Appel and guest speaker Major General Lewis Mackenzie.

Robert L. Brooks, Executive Vice-President, Investment Banking, Bank of Nova Scotia and a Past President, The Empire Club of Canada and Tony van Straubenzee, Partner, Insite Institute and Past President, The Empire Club of Canada.

The Hon. Henry N.R. Jackman, His Excellency President Ramos and Gareth Seltzer.

Empire Club Directors: Fredrik Eaton, Bill Laidlaw and Major General Mackenzie.

Past Empire Club President Harry Seymour with Empire Club Director Ann Curran, former British Consul Peter Davies and Gareth Seltzer.

Leader of Her Majesty's Opposition Preston Manning gives Gareth Seltzer the vice grip handshake!

Premier Brian Tobin signing the Empire Club guestbook as Nalini Stewart, President of the Canadian Club of Toronto and George Cooke, Empire Club of Canada First Vice-President, look on.

Gareth Seltzer shares a laugh with Corel CEO Michael Cowpland.

Novartis CEO Hans Mäder talks with schizophrenia advocate Patricia Christie.

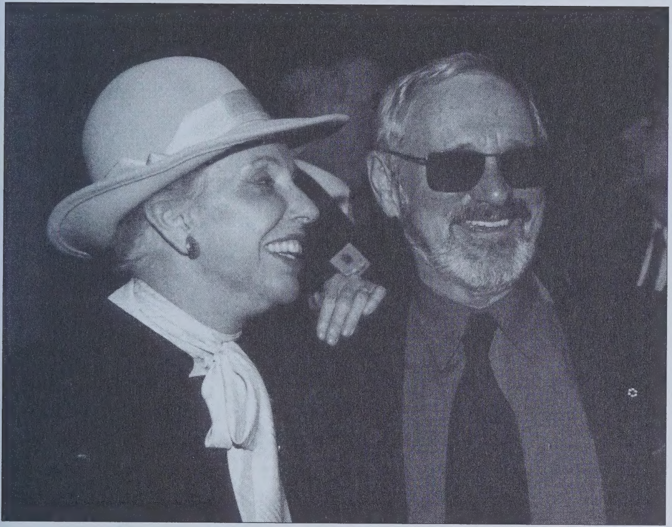
His Excellency Gordon Giffin, the U.S. Ambassador to Canada is greeted by Empire Club First Vice-President George Cooke.

Corel Vice-President Don Sylvester with MPP Steve Gilchrist, Corel CEO Michael Cowpland and Gareth Seltzer.

Fredrik Eaton and Sandra Manning.

CANFAR Chair and philanthropist Bluma Appel with Laura Legge, Q.C,. Legge and Legge, and Chair of Canada Breast Cancer Foundation, Christine Smith.

The Hon. Henry N.R. Jackman saying hello to Dorene Seltzer.



Bluma Appel and Film Director Norman Jewison.

Gareth Seltzer and U.S. media mogul and presidential candidate Steve Forbes.

Richard Peddie and Gareth Seltzer.

Paul O'Donahue, Gareth Seltzer and Don Tapscott.

Treasurer and Director Diana Chant with David Wilson.

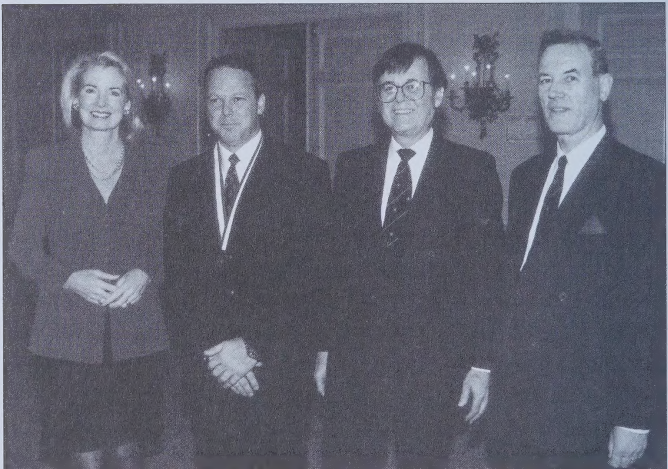
Peter Hogg, Donny Peterson and Gareth Seltzer.

Gareth Seltzer, John Manley and George Cooke.

Gareth Seltzer, President, The Empire Club of Canada, incoming CIBC Chairman John Hunkin and Nesbitt Burns CEO John MacNaughton.

The Hon. Charles Dubin, Alan Borovoy and Gareth Seltzer.

Guy Bertrand and Empire Club Director Ann Curran.

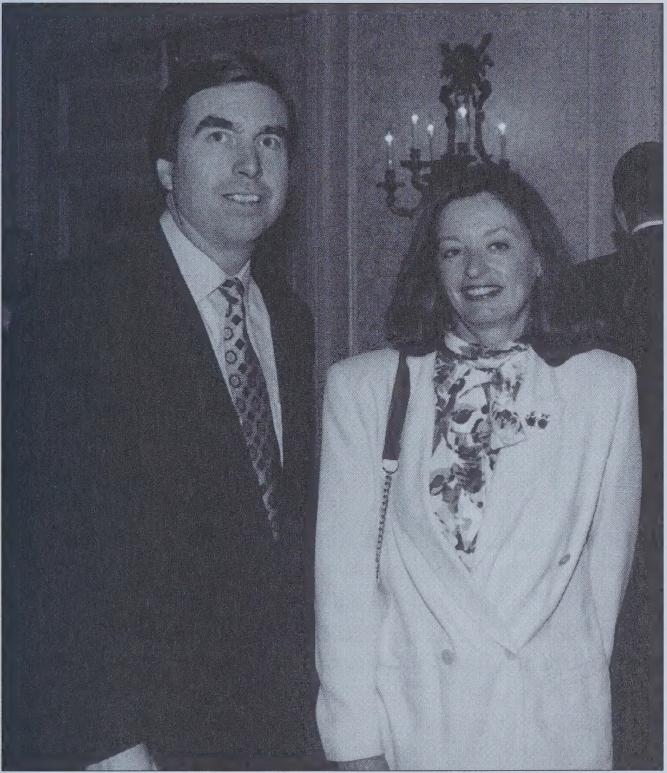


Her Honour Hilary M. Weston with Gareth Seltzer, Edward Badovinac, Director, The Empire Club of Canada and Ron Goodall, past President, The Empire Club of Canada.

Hollinger General Counsel Peter Atkinson with Knowlton Nash and Gareth Seltzer.

CAPACITY 5443 KG

The Hon. John Snobelin with Harley Davidson Chairman CEO Richard Teerlink and Gareth Seltzer.



U.S. Ambassador Gordon Giffin with Anne Libby, Director, The Empire Club of Canada.

Gareth Seltzer with Brascan Senior Chairman, Senator Trevor Eyton.

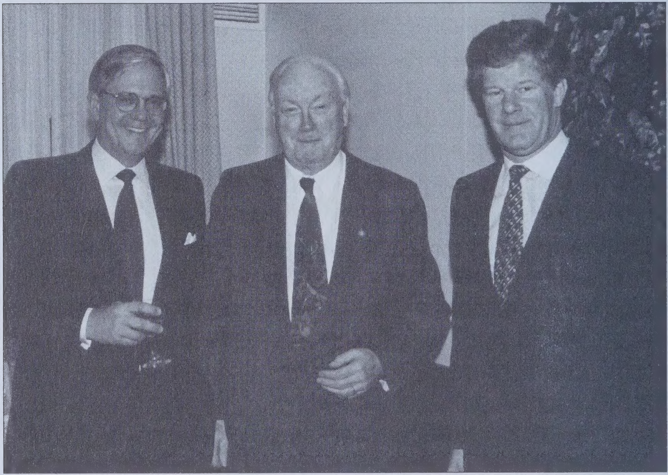
Gareth Seltzer greets The Hon. John Snobelin with David Edmison and Janet Harris.

Corel CEO Michael Cowpland and his matching bodyguards.

Empire Club Director The Rev. Kim Beard with Past Presidents David Edmison and M.Gen. Bruce Legge, Legge and Legge.

Empire Club Past President Frederic Jackman and Novartis CEO Hans Mäder.

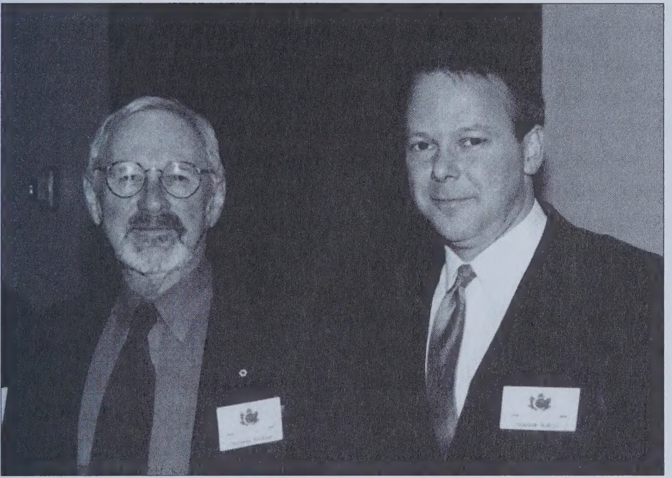
The Honourable John Manley and Gareth Seltzer.



Mbanx CEO Jeffrey Chisholm with Willis Blair and Alex Squires.

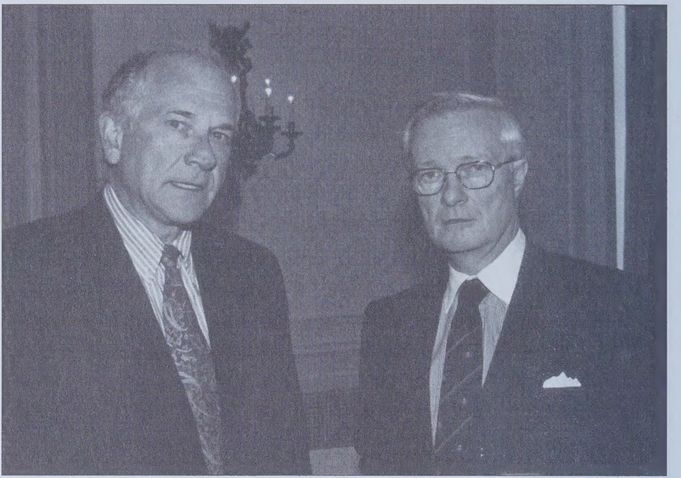
President Ramos gives Gareth Seltzer a box of his favourite and personalized cigars.

Empire Club Director Gwyn Wilmot with Mr. Everything—the unstoppable Ed Mirvish.



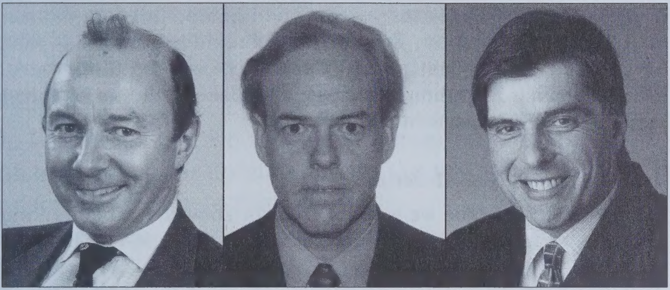
Film Director Norman Jewison and Gareth Seltzer.

mbanx President Jeffrey Chisholm meets AGF Chairman Warren Goldring.



Two former Empire Club Presidents Robert Brooks and Anthony van Straubenzee.

McDonalds Chairman George Cohon with Gareth Seltzer.



January 8, 1998

Nicholas Bratt

Managing Director, Head of Global Equities, Scudder Kemper Investments, Inc.

Terry Shaunessy

President and Managing Partner, Gordon Capital Corporation

Jeff Rubin

Chief Economist, CIBC Wood Gundy

THE CANADIAN EQUITY MARKET FOR 1998

Chairman: **Gareth S. Seltzer**
President, The Empire Club of Canada

Head Table Guests

John MacNaughton, President, Nesbitt Thomson; Rev. Bill Middleton, Armour Heights Presbyterian Church; Roger Dent, Director, Yorkton Securities; Joseph Oliver, President and CEO, Investment Dealers Association; Susan Crocker, Senior Vice-President, Equity and Derivative Markets, The Toronto Stock

Exchange; Bob Barootes, Director of Sales, Gordon Capital Corporation; The Hon. Tom Hockin, President and CEO, The Investment Funds Institute of Canada; Lawrence Bloomberg, Chairman, First Marathon Securities; and Blake Goldring, President and COO, AGF Management Limited.

Introduction by Gareth Seltzer

Each year at this time we look for thought about how the year will unfold and in many ways many of us also take an increasingly personal interest. We need therefore to be very well advised. We have three speakers. I'll introduce them to you in the order in which they will speak.

Nicholas Bratt is Director of the Global Equity Group for Scudder Kemper Investments. Now Scudder Kemper Investments is one of the world's leading investment organisations managing over $200 billion around the globe for all types of accounts. In 1997 Scudder Stephens and Clark joined the Zurich Group and Zurich Investment Group was combined with Scudder to form a new entity. Mr. Bratt is perhaps one of the world's leading international analysts and investment authorities. He serves as a member of the portfolio team for accounts across the globe and is President of the Brazil Fund, the Scudder Spain and Portugal Fund, the Korea Fund, the International Bond Fund for the firm, the New York Fund, and others. He resides in New York City. We are pleased that he has joined us today. Thank you Mr. Bratt.

Next to speak will be Mr. Terry Shaunessy, the President and Managing Partner of Gordon Capital Corporation as well as Director of Research. Mr. Shaunessy was a Director of Research and Sales at Merrill Lynch Canada Inc. After serving as Managing Partner and Equity Portfolio Manager for Griffin Investment Counsel from 1991 to 1997, in July he joined Gordon Capital as President and we welcome him here today as well. Thank you Mr. Shaunessy.

Closing the meeting will be the very well known Mr. Jeffrey Rubin, Chief Economist and Managing Director of CIBC Wood Gundy Securities. Ranked as the number-one economist in Canada by institutional fixed income investors and institutional equity investors for a number of years, Mr. Rubin regularly advises many of the largest fund managers in North America, Europe and the Far East. Now economists rarely get to achieve very well known stature but Mr. Rubin you are recognised and you are recognised as an exceptional forecaster as well as articulate panelist and we are pleased that you have agreed to join us today.

Ladies and gentlemen, please welcome your three speakers and I'd like to start off with Mr. Bratt.

Nicholas Bratt

Mr. President, Rev. Sir, members, honoured guests, thank you very much for coming to listen to my remarks today and for inviting me to this occasion.

I have been asked to talk about the outlook for global markets and I've been asked to speak for less than an hour, indeed to try to cover them in about 12 minutes. A tough challenge and I'm not going to cover all global markets but what I am going to try to do is to cover some of the major markets to give you a sense of those kinds of things that you should be looking out for in terms of assessing their prospects.

Nineteen ninety seven was a particularly challenging year. None of us expected the strength that we saw in North American markets and in European markets nor the catastrophe that took place in Asia, particularly in the smaller markets there, nor the extraordinary strength of the U.S. dollar.

I am not going to make simple forecasts for each of the global markets over the next 12 months. I thought it would be more useful and more interesting to share with you the specific indicators and developments which will determine the performance of the stock markets.

In August of last year, the SET had doubled in 29 months. That is the fourth time in this century that this has happened. Previous occasions were 1929, 1956 and 1987. You all know what happened shortly after those dates. Consensus view I would say about the U.S. stock market is that it is going to continue rising modestly—maybe up to 10,500 or 11,000 on the Dow Jones. Our view is not as optimistic. Equities are likely to do less well than in any of the last three years and, although I am an equity person to the core, I would be willing to concede that bonds probably do provide an attractive alternative to equities at the moment. The primary reason for this is the support interest rates will get in a downward direction as the result of conditions in the world at large at the moment.

So what are the key indicators to watch, particularly if you look at the U.S. stock markets?

One is the level of confidence. At the moment it is very high whereas if you look at the level of confidence in Asia it is almost totally non-existent. Isn't that an interesting paradox?

The second thing to look at clearly is the evolution of the Asian crisis and let me be very clear that the specific problems in Japan, in Korea, in the South-Eastern Asia countries and China, although they are linked, are actually different.

Another is the outlook for corporate profits. We would suggest that corporate profits are going to be disappointing in consensus expectations.

Another is the behaviour of mutual fund investors, particularly in the United States. There is a great danger that there are millions of investors that now regard the stock market as a low-risk, high-return savings medium. We all know that stock markets are not low-risk. There is a debate about whether inflation or deflation is the major trend. As recently as six months ago people were concerned about inflation. Isn't it interesting how quickly people have now become concerned about deflation?

Another is the trend in interest rates. We think it is increasingly likely that we will see not only a flatter curve but we may well see an inverted curve.

And finally the U.S. dollar which has been so strong recently. We think there's a likelihood that towards the end of this year it may start weakening.

So much for North America. What about European markets very quickly? Our views there are quite constructive for four major reasons.

Firstly, in Europe there is a trend towards lower interest rates and this will support the bond market and the equity markets there. These markets are currently benefiting from a liquidity glut. There is undoubted momentum towards introduction of the euro, a common European currency, and as a result of this momentum we are seeing continued harmonisation of interest rates. This has the effect of lowering interest rates particularly in the peripheral countries such as Italy and Spain.

Secondly, we expect to see continued corporate restructuring in Europe moving across different sectors. We have already seen major consolidation in the pharmaceutical and chemical sectors. We think we are going to see substantial structural changes in the financial sector. Recently, for instance, we saw a major German insurance company buy a French insurance company and a Dutch financial services company buy a Belgian bank. There are hundreds of further major transactions of this kind which will take place over the next five years.

Thirdly, there will be finally a cyclical recovery of economic growth in Europe. Indeed, and this will surprise you, it is conceivable that over the next 12 months Europe may be the fastest growing region in the world. This will have a beneficial effect on corporate profits and the level of unemployment which is at very high levels and a major objective for governments in Europe is to lower unemployment. This should lead to increased incomes, higher spending and consumer demands and a pick-up in capital spending.

And finally we also know that the pace of mergers and acquisition activity is accelerating.

And yes, I'm not going to chicken out. I am going to make a few comments about the Asian markets which have been so dreadful since the summer. I don't have time to go into all the reasons why we have had this debacle but what I will tell you is that from the point of view of investors it is now in the hands of the governments and the policy makers. It is impossible for me here to tell you what I think is going to happen in the various Asian markets because we don't know at this stage what the various governments are going to do and how they are going to respond to the crisis. It is extraordinarily depressing to read in the newspaper for instance that the Indonesian government, having gone to the IMF and asked for help, a week later introduced a budget which flaunts the guidelines the IMF has tried to introduce there. The governments in the region continue to behave in such an irresponsible fashion you will see the crisis there continue for years to come. Alternatively, you have the example of Korea, where fortunately for the Koreans by coincidence they had an election and for the first time in their history the Opposition Party won. So they have a clean slate and they can start from ground zero and maybe put in place the right kinds of policies. From the point of view of investors, this indeed provides us with some very exciting challenges because I'm convinced that there will be very significant differences in the performance in the markets of Asia depending on the particular policy steps adopted by their governments.

Let me conclude by sharing with you the types of policy steps that we would like to see because those will be the triggers that point us in the direction of which markets to emphasise and which markets to avoid.

Proper monetary and fiscal frameworks must be put in place. Secondly, provisions must be enacted for effective banking sector supervision. Thirdly, deregulation and liberalisation measures must be put in place. Fourth, more corporate and statistical transparency is needed and finally, painfully, bankruptcies must be allowed as well as acquisitions even by foreigners. If these measures are implemented in a serious way it will be a sign that a real change is taking place. Asia will experience a painful transition period following which it should experience a new period of vibrant and sustained growth.

Thank you very much for your attention.

Terry Shaunessy

It is a pleasure to be with you this afternoon to share some thoughts on the Canadian equity market for 1998. In preparing my remarks, I reviewed the research from the analysts at Gordon Capital, I read the year-end summaries of the market for 1997 in various journals and newspapers and I surveyed the consensus forecasts of GDP, inflation and interest rates from some of the most respected economists and market seers in the industry. This work has led me to the inescapable conclusion that in the next 12 months, the market will do exactly what the market wants to do and if anyone gets it right it will be purely coincidental. With that as a disclaimer allow me to share some thoughts with you.

In my opinion, the biggest single influence on the equity markets has been, and will continue to be, the downward trend in interest rates. Despite many years of good economic growth and job creation, inflation has remained low and that has allowed interest rates to decline. In view of the deflationary forces at work around the world I see no reason for this situation to change. In the near term, short rates may be unusually volatile due to the foreign exchange markets but I see this as only a temporary phenomenon. Consequently, long-term interest rates in Canada should remain in a range of 5.5 per cent to 6 per cent which in turn implies that the equity market will not be adversely affected on this front. That unfortunately is the good news.

The downside of a benign interest-rate environment is that companies are unlikely to raise prices so that earnings growth in the next year will be modest and probably below expectations. The current 1998 IBES forecast of earnings for the TSE 300 is $380—up 14 per cent from 1997's expected levels. Given the uncertain outlook for commodity prices I think that the chances are slim that we will get anywhere close to this number; in fact I believe that TSE earnings will be about $350—up about 5 per cent on a year-to-year basis.

Therefore, I predict that the TSE 300 will be bound by a range of 7200 on the upside and 6000 on the downside. Moreover, I expect that my upside target will be achieved in the second half of 1998 when Asia is on the mend. Consequently, the TSE should produce a total return of 8 to 9 per cent which would imply that stocks will continue to be the leading asset class. Moving from the general to the specific let me touch upon the four major sectors of the Canadian market.

First—the interest-sensitive sector. If I am correct in my assessment of the direction of interest rates then the interest-sensitive group should hold onto the gains that have been achieved over the past two years and may even add modestly to those gains. In 1997, the financial stocks returned 52 per cent following a 55-per-cent gain in 1996. For 1998, financials are more likely to be market performers. Bank earnings will continue to rise but the pace will slow. Also due to their active involvement in the capital markets there could be some earnings surprises. By my calculations capital markets activities contribute roughly 20 to 25 per cent of the banks' bottom line. I am sure that there will be fewer trading opportunities in 1998 than in 1997 and that could negatively affect results. To date we have seen two big U.S. banks—Chase Manhattan and JP Morgan—blow their quarterly earnings with trading losses and the same thing could happen with our banks. Fortunately healthy dividend yields will limit the damage that exuberant young traders may inflict upon the banks so that this area is unlikely to be a source of major concern.

Similarly, the consumer sector of the market seems healthy. If Canada grows by 3 per cent in 1998 employment growth will continue and consumer confidence should remain high, which is good news for retailing and merchandising stocks. The big weights in this sector, Imasco and Seagram along with names such as Canadian Tire, Hudson's Bay and Loblaws are expected to be market leaders. In addition, top flight communications companies such as Shaw Communications will produce above-average market gains.

The industrial group is a little more problematic to forecast than the interest-sensitive and consumer groups. In the war of convergence, technology hardware companies such as Newbridge and Nortel will remain beneficiaries but with heart stopping swings. Transportation companies such as Air Canada and CN Rail should benefit from our domestic economic outlook. However, industrial companies that compete globally may find the going to be very tough given the competitive devaluations in Asia. It is in the export-oriented stocks that we see the most potential for portfolio damage in 1998.

Finally there is the poor beleaguered natural resource sector. The year 1997 will no doubt go down as one of the most painful times for shareholders of commodity-sensitive stocks. Starting with the Bre-X fiasco in the spring and ending with the rout in base metals and oil prices in the fourth quarter, the decline in these stocks has been nothing short of breathtaking. In fact who would have thought that by year-end 1997 the market capitalisation of the Royal Bank would be greater than the entire Integrated Mines Index. In other words, on December 31 1997, a single share of Royal Bank would purchase a share of Alcan, Cominco, Falconbridge, Inco, Noranda and Sherritt plus 75 cents in change. Clearly, anyone who considered the Canadian market as resource-oriented was sadly mistaken. But where do we go from here?

My guess is that commodity prices will remain soft until Asia gets its act together. Consequently, resource stocks with merit will be those that are low-cost producers. Among those beneficiaries would be Alcan in the base metals, Cameco in uranium, potash in the fertiliser industry and Barrick and Greenstone in the gold sector. Moreover, I expect that the resource sector will be a prime area for mergers, acquisitions and consolidations. I think that it will be corporations rather than institutions that start the ball rolling and bid up these asset-rich companies. Obviously if the TSE 300 is to get anywhere near the 7200 level that I described as the upper band of the range then the resource stocks have to be the fuel for the market! In short, the greatest potential returns with the greatest potential risk.

So there you have it. Those are my predictions for 1998. While the market certainly does not seem as sexy as it was two years ago, it still has the potential to return 8 or 9 per cent over the next 12 months which in a world of 2-per-cent inflation is a most acceptable real rate of return.

Jeffrey Rubin

Amidst all of the uncertainty and volatility of the last two months one thing is crystal clear. The equity market and the bond market cannot both be right. A mere 8,000 Dow is still calling for a robust U.S. economy in which profits can maintain the double-digit pace of the last five years. But 30-year U.S. Treasury yields which have come within a whisker of all-time lows are already discounting that the U.S. economy will succumb to the Asian flu.

For my money the equity market has the economy basically right. The equity market has good reason to be jubilant, with the Dow having made up almost all of the ground ceded in left-over scare. And since the Asian contagion was first cited in Thailand fears and belt-tightening have faded into obscurity. By any reckoning those fears would have been considerable given that the U.S. economy pumped out 700,000 jobs over October and November, the unemployment rate sank to an uncyclical low and average hourly earnings have been growing at the fastest pace in seven years. Take Asia out of the picture and there is little doubt that the Fed would have raised rates 25 if not 50 basis points at the December FONC. What the bond market seems to be forgetting is that its judgments of the future are conspiring to undermine its own forecasts. While trade impacts can shave a quarter, a half a point, on '98 U.S. growth, surely interest rates matter too. Plunging rates provide the economy with octane as it needs particularly an economy which is the most dependent on its domestic market of any in the G-7. The stock market is correctly betting that the stimulus of low interest rates will more than offset the drag on U.S exports. Whether or not stocks are the right place to invest your money depends to a large extent on how long it takes the bond market to figure out the economy because the economic stimulus of long-bond yields being near 40-year lows is perhaps the most compelling reason why the equity markets' view on the economy is right.

Left to its own devices the bond market could easily be lulled into another six months of complacency. The news from Asia will only get worse. At a minimum, take the IMF forecast for the region and cut it in half. Projected slowdowns are about to turn into protracted recessions. And the spectre of recession is not just hanging over the newly industrialised tigers but over the big boys as well with Korea and Japan facing increasingly bleak economic prospects.

But the Treasury better keep an eye on what's going on in its own back yard. And before climbing on the deflationary bandwagon the bond markets shouldn't lose sight of the fact that two-thirds of the U.S. economy is made up of services which not only have no linkage to falling commodity prices but have little connection to foreign competition.

Americans may be able to easily substitute cheaper-priced imports for American-made goods but Americans don't go to see their doctors in Tokyo, they don't pay rent in Seoul, and they don't go to baseball games in Bangkok. While the competitive threat of Asian imports is going to rob manufacturers of the pricing power that they might otherwise have, price specialists in the service sector will continue to grow. Already at 3 per cent, inflation in the service sector was running a good two percentage points ahead of that in the goods' sector with no sign of abating.

That's largely because services is the most labour-intensive sector in the U.S. economy. While the cost of other factors of production—capital, energy, resources—are being bid down by sinking Asian economy, the price of American labour is on the rise and it will continue to be on the rise with sustained growth in the U.S. economy. Even if wage and services inflation don't show up in a consumer-price index the bond market will be disappointed with the U.S. economy. Another year of close to three if not 3-per-cent growth will clear a market of any deflationary delusion, probably resulting in a 50-to-75 basis-point back-up in long-term interest rates.

While troubling Asian economies have dampened U.S. interest rates they've had the exact opposite effect on Canadian rates—a curious result given that the Canadian economy by virtue of its much greater dependence on trade, its much greater exposure to the resource sector, is far more at risk from the Asian flu than the U.S. One might have thought that monetary policy in Canada would have tried to give the economy support at a time when its export sector faced such serious challenge. Under speculative pressure, well before the Asian disaster began, sinking commodity prices have added a new dimension. Foreign exchange crises are rarely bullish for economic growth and this one is unlikely to prove an exception. The Bank of Canada's game plan for a gradual tightening of monetary policy has been scuttled by a currency that is being battled on all fronts. Not content with the gradual change that the Bank of Canada originally had in mind, the foreign exchange market is demanding nothing short of interest-rate parity with the Federal Reserve Board. Those expectations have left the Canadian dollar clinging to all-time lows in the face of an increasingly aggressive Bank of Canada rate at best. Every passing month has seen the market raise the ante with the Bank consistently missing the ball. Twenty-five basis-point hikes have given way to 50 basis-point moves and still the market clamours for more. Another half-point increase in interest rates is already effectively priced into the foreign exchange market. As the Bank sticks with its policy of supporting the Canadian dollar there will likely be more moves beyond that. By spring it will have raised interest rates at least 200 basis points.

What are the consequences of such action on growth? In my view much worse than the Bank of Canada has yet to acknowledge. Its official growth target of 4 per cent appears increasingly improbable against the backdrop of rapid-fire interest rate hikes. While the Bank has defended its rate hikes by pointing to the stimulus of a falling Canadian dollar, such stimulus is fictitious in a context of depressed commodity markets and shrinking export market. How stimulative can a 69 or 70-cent dollar be when gold prices are at 18-year lows, nickel prices at four-year lows and oil and lumber prices are off 30 per cent. These prices can only point to further production cutbacks and layoffs in the export sector under any exchange rate machine.

It's the inherently contractionery impact of falling commodity prices that has convinced the Reserve Bank of Australia to hold the line on interest rates even though its currency has suffered a much steeper depreciation from 74 cents to 64 cents. In fact it's the very linkage between currency and commodity prices that has convinced that land to reject the notion of a monetary conditions index as an accurate barometer of monetary policy. Slavish obedience to a monetary conditions index has resulted so far in over a 250 basis-point rise in interest rates in New Zealand over the last four to five months.

When commodity prices collapse, the appropriate monetary response in resource-based economies like Canada, Australia and New Zealand, should be in support of the economy, not to exacerbate the impact of the currency with a big domestic interest rate hike. In my view there is little rationale for the Bank of Canada rate defence of the currency. Neither of the Bank's traditional arguments against currency depreciation seem to have much validity in today's economy. Despite what is already a 4-per-cent depreciation of the currency in the last six months, consumer-price inflation is below the 1-per-cent level, hardly a threat to price stability. And the notion that the falling currency would result in an overheated export sector seems patently absurd against a backdrop of plunging commodity prices.

The Bank of Canada has yet to identify precisely exactly what calamity awaits the Canadian economy if it should allow the dollar to fall to 67 or 68 cents. What is clear is that a 200 basis-point hike in interest rates is going to sap momentum of domestic demand at a time when the export sector is no longer the engine of economic growth. Instead of the Bank's 4-per-cent growth target fourth-quarter over fourth-quarter growth is likely to be little over 2 per cent. Perhaps 2.8 per cent on a year-over-year basis. Well there will be no shortage of countries in Asia that would kill for such growth this year. That suggests that the Canadian economy will be treading water. Those growth prospects offer little hope of the economy making any meaningful progress at reducing its unemployment rate. Consumer spending is particularly vulnerable since all of the growth last year was financed by a draw down in the personal savings rate which at 1.5 per cent stands at an historic low. With interest rates rising quickly a further decline in the savings rate can no longer be counted on to finance the rapid growth and spending that we have seen over the last year. Instead consumers will be constrained to gains in their after-tax income. Barring a last-minute change of heart from Mr. Martin in this upcoming budget those gains in after-tax income aren't likely to be big enough to finance more than half of last year's spending growth.

Turning to the domestic debt market, a rapidly flattening yield curve and a return to large current account deficits will put pressure on Canadian bond yields as Canada once again finds itself in need of considerable external financing. With short-term interest rates rising rapidly, the yield curve is losing the anchor that had held long Canada yields through Treasuries. At the same time weak global commodity prices are likely to keep the current account deficit near $20 billion. One way or another that deficit is going to have to be financed externally and it's most likely to be done in the fixed-income market. Canadian bonds will have to offer an attractive yield premium to Treasuries if they are to underwrite the current account deficit. The market may not have to wait that long to see those trends. The next 50-basis-point hike by the Bank of Canada is likely to push Canadian yields above Treasuries beyond the five-year part of the curve.

In closing, the Bank of Canada faces an important choice. It can follow the footsteps of the Feds and choose to support economic growth or it can stick to its guns and defend the currency at all costs. If it continues on its present course, we can safely count on another 75 basis-point hike in short-term interest rates with all the forecast risks shaded to even larger increases. If so the Bank will not be waging a war on inflation but on economic growth. It is not too late for the Bank of Canada to shift gears but old habits are hard to break. Which leads us ladies and gentlemen to ponder but a single question: Can a bank change? Thank you very much.

The appreciation of the meeting was expressed by Blake Goldring, President and COO, AGF Management Limited.

January 22, 1998

The Hon. John Efford

Minister of Fisheries and Aquaculture, Government of Newfoundland and Labrador

THE SEALING INDUSTRY OF NEWFOUNDLAND AND LABRADOR

Chairman: **Gareth S. Seltzer**
President, The Empire Club of Canada

Head Table Guests

The Hon. Barnett Danson, Consultant and distinguished Honorary Officer, The Empire Club of Canada; Duncan N.R. Jackman, Managing Director, Fulcrum Investment Company and a Director, The Empire Club of Canada; Julie Cohen, OAC Student, Northern Secondary School; The Rev. Duke Vipperman, Associate Priest, Little Trinity Anglican Church, Scarborough; John Hawco, President, The Friends of Newfoundland Association (FONA); Joshua Greenway, Baton Broadcasting Incorporated; and Christine Aquin, Account Executive, City TV and The New VR.

Introduction by Gareth Seltzer

It is the mandate of the Empire Club to promote the interests of Canada by the discussion of subjects and events relating to our nation. That was proclaimed in 1903—and the Club has been a forum for such discussion ever since.

And in the past 12 months we have hosted the leaders of nations, the most recent being the President of the Philippines just two months ago, of industry and social issues. In most cases, there is a rush to hear the views of those who are deeply entrenched in the issues that they address. But today is somehow different. For an issue that practically everybody has a strong opinion about, it seems that there is a reluctance to hear both sides; to obtain more information so as to make an informed opinion. Consequently, I am especially pleased that The Hon. John Efford, Minister of Fisheries and Aquaculture for the Government of Newfoundland and Labrador joins us today.

The seal harvest is a part of our Canadian heritage. The Empire Club, of course, takes no stand on the issue, only on the importance of the topic itself. Nevertheless, it does seem that there is no shortage of hostile misinformation regarding the hunt from many sources. Individuals like Farley Mowat have stirred the pot by suggesting the harvest is akin to the Holocaust, a potentially offensive remark in itself, especially from somebody whose own work is under scrutiny for its integrity. And we continue to see pictures of seal pups being harvested even though the legal seal hunt is now restricted only to adult seals. And we forget that the hunt is also carried out by the Inuit of Canada's Arctic, who not only use sealing as a means of income, but as a source of nutrition and material for clothing and crafts. This in addition to the many small maritime communities have relied on the annual cycle of sealing and fishing for hundreds of years.

And I suspect if Clayton Ruby, born, raised and educated here in Toronto, called another press conference on the annual hunt, he would draw a committed crowd to hear his well constructed story.

Now we are especially fortunate to hear from a man who knows first hand what it means to be a fish harvester. He was born in the historical Newfoundland fishing community of Port de Grave and is equally concerned about the interests of his constituents and the wildlife upon which they so deeply rely. This is an exceptional opportunity for us all to absorb factual information upon which we can then formulate our views. Now, I am sure Mr. Minister, that when you tell your story, you are sometimes faced with strong opposition. And it has less to do with being a politician (since you have also been a very successful businessman) than it does have to do with your topic today. Even friends may challenge you. I am reminded of a quote from Oscar Wilde who said that Bernard Shaw has no enemies but he is intensely disliked by his friends. You are, Minister, a man whose popularity and reputation for excellence makes it difficult to imagine that all of those who have an opportunity to work with you, aren't impressed with your commitment to Canada and the Maritimes—friends and foes alike. Please welcome to the podium, The Honourable John Efford.

John Efford

I want to thank the Empire Club, and Club President Gareth Seltzer in particular, for the invitation to speak to you today. I am delighted to be here.

My topic is the sealing industry in Newfoundland and Labrador. To have a full appreciation for what this industry means to our province, however, it has to be viewed in the context of our entire fishing industry and its role in our economy.

The impacts of the moratoria on our principal groundfish stocks, especially northern cod, have been profound. People's livelihoods disappeared overnight. The shock waves were felt throughout Atlantic Canada, but the crisis was centred in Newfoundland and Labrador; more than 70 per cent of the impacts were in our province. Groundfish landings that had exceeded an annual average of 370,000 tonnes in the late 1980s, dropped by 93 per cent by 1996. The collapse of major stocks put 27,000 people out of work

Since the first moratorium was announced in 1992, Canada's national employment level increased by almost 4 per cent. The employment level for Newfoundland and Labrador dropped by close to 8 per cent.

In 1996, our employment rate was double the national rate and almost three times the lowest recorded provincial rate in Saskatchewan. At least 75,000 full-year equivalent jobs are needed just to bring our employment and unemployment rate on par with the national average.

Out-migration is a significant factor in rural communities, particularly those impacted by the groundfish crisis. Pickup trucks leave the province filled with a life's worth of personal effects. The youngest and brightest leave in search of economic opportunity. Almost 10,000 people left the province last year, nearly 90 per cent of them less than 35 years of age.

Newfoundland and Labrador still has fisheries. There are many success stories showing how we are diversifying the industry, developing under-utilised species, and creating new market opportunities. However, the employment and economic activity generated by these does not replace what has been lost in the groundfishery. That is why the sealing industry continues to be so critical to our rural areas. The seal harvest takes place at a time of year when there are very limited opportunities for harvesters to earn income from other fisheries.

Income from the seal fishery is often the only way many harvesters have to raise money to get their fishing boats and gear ready for summer fisheries. The harvest is nowadays essentially a small-boat harvest, conducted by fishermen from coastal communities where employment opportunities are scarce.

Some of these communities have less than 100 families. There's no Irving Oil or Michelin Tire there as an employment alternative.

In 1997 the seal fishery provided income for more than 3,000 harvesters and 300 plant workers. The oil, pelt and meat products of the 246,000 animals harvested had an export value of about $20 million.

Changes to our sealing industry have been revolutionary. Tremendous research and development efforts have revitalised the industry since the early 80s when a strong anti-sealing lobby all but destroyed markets for seal products, mainly fur.

Now, markets are growing. New products have been developed: seal oil, protein concentrate, meat products such as pepperoni, pate, sausages and burgers. There is also growth in leather and fur products and companies are interested in setting up tanneries.

Omega-3 oil is valuable as a health supplement and is now available in stores. We are working on commercialising seal meat protein and investigating potential in Third World countries. The Newfoundland and Labrador government fully supports a seal harvest and are fully committed to its further development around three principal cornerstones:

- A sustainable harvest based on solid science;
- An industry based on the full utilisation of the animal; and,
- Humane harvesting methods with zero tolerance for any inhumane practices.

Our provincial position is complemented by management measures put in place by the Government of Canada to regulate the harvest:

- Humane harvesting practices;
- Strict enforcement;
- A ban on commercial hunt of whitecoats; and
- The number harvested based on scientific information and sound conservation principles.

We have a healthy, renewable and abundant resource. Harp seals numbered around 1.5 million animals in the early 1970s. A 1994 scientific survey (the most recent one) put the population at an estimated 4.8 million with an annual pup production of 703,000. The 1994 population figures are outdated. A conservative estimate of the current harp seal population is around 5.1 million animals growing by 5 per cent annually (taking into account pup production, harvest and natural mortality). These figures do not include five other seal species in eastern Canadian waters.

Growing seal herds give rise to concerns about an imbalance in the marine ecosystem in eastern Canadian waters where a moratorium on fishing northern cod has been in place since 1992. Not one of the 27,000 people impacted by the groundfish moratoria is permitted to fish for northern cod but 5.1 million harp seals can harvest them putting at risk stock rebuilding efforts.

The Scientific Council of the Northwest Atlantic Fisheries Organization this year reported that harp seals consume every year 108,000 tonnes of juvenile northern cod less than 40 cm in length. Given that the preferred cod size for seals is actually less than 25 cm, this would mean they are munching on 300 million baby northern cod per year. Annually seals consume 340,000 tonnes of turbot, also a valuable commercial resource in Newfoundland and Labrador. As early as three years ago, the Department of Fisheries and Oceans indicated that harp seals were consuming 6.9 million metric tonnes of marine species annually. More than 50 per cent of that came from Canadian waters. The Atlantic Salmon Federation has expressed concern that seals may be a factor in the failure of salmon to return to rivers in the numbers anticipated. Seals have been observed in some areas swimming up rivers after trout and salmon. In short the marine ecosystem on Canada's east coast is out of whack. It is unbalanced. Overfishing of stocks by man may have started the problem. Now, man must fix it. Nature alone cannot restore species balance to our marine ecosystem.

The International Fund for Animal Welfare is against the commercial seal hunt. Its misleading propaganda campaigns have been economically devastating for aboriginal people who have a profound dependence on seals. The President of the Inuit Circumpolar Conference said recently: "Although Inuit were never directly a target of the anti-sealing campaigns, we became perhaps their biggest victims...With the collapse of the world markets for seal skins in the 1970s and 80s, our world changed forever. This loss had devastating and enduring impacts on the Inuit of Greenland and Arctic Canada." The IFAW propaganda campaign has become an annual circus of deceit. This year it's enlisted the support of 25 members of the Canadian arts community—a group calling themselves Canadians Against the Commercial Seal Hunt.

Renowned author Pierre Burton is clearly not among them. In a letter to the Globe and Mail, Mr. Burton said he was appalled that a group of people in the Canadian arts community had signed an IFAW newspaper ad demanding an end to the Newfoundland seal hunt. "Do these members of the arts community," he asked, "who put their names on that advertisement realise the legacy they are leaving behind? In the Arctic the former seal hunters are living on welfare and lapsing into alcoholism, suicide, family break-up, and drug abuse. That, not the killing of seals, is the ultimate immorality."

The IFAW claims that Canadians subsidise an industry that kills baby seals. This is false. The commercial harvesting of whitecoats has been banned since the 1980s.

They claim 500,000 seals were taken in the 1997 hunt. This is also false—246,000 were taken.

They claim the harvest provides few economic benefits. False again. The '97 fishery had an export value of about $20 million. It provided income for more than 3,000 sealers and 300 plant workers.

They claim Canadians paid $3.4 million in subsidies in 1996 for a seal harvest. False: The total federal and provincial subsidies in '96 were $1.7 million. This was reduced to just over $1 million in 1997 and will be reduced again in 1998 and '99. By the year 2000 it will be zero. The subsidy was for meat alone, while we were developing meat products and markets. The seal oil and other products are already self-supporting.

They claim the harvest is cruel. The fact is that commercial licenses are limited to professional fishermen. Humane practices are supported by the industry and strictly enforced by DFO. Penalties are among the toughest in the world.

The IFAW keeps trying to give the impression that more than 100 sealers were charged with cruelty. What these sealers were actually charged with was **selling** blueback hood seals. It is not illegal to **hunt** blueblacks.

The IFAW campaigns distort. They are deceitful. In the process; they inflict injury upon humanity. They use graphic details to get an emotional response that will bring cash to the IFAW's coffers. The seal harvest is not a pretty sight. Neither is the killing of chicken or cattle or pigs or anything else in a slaughterhouse. The only difference is that the seal harvest is conducted in a public arena—an open-space abattoir.

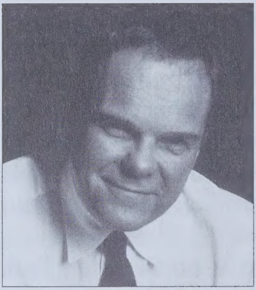
The commercial harvesting of seals on Canada's East Coast is more tightly regulated than ever before; humane practices are strictly enforced, with penalties for violations among the toughest in the world.

Seals are an abundant, renewable resource. The harp seal population is one of the healthiest mammal populations in the world. It is a resource that allows people in our coastal communities to pursue their livelihoods with dignity. It provides a significant resource for aboriginal people.

With the commercialisation of new seal products such as Omega-3 oil and protein concentrate and the expansion of markets for both new and traditional seal products, the seal resource offers significant economic benefits in coastal communities where other employment opportunities are very limited.

The industry is expanding and is providing a measure of hope to individuals who have seen their lives shattered by the collapse of the groundfish sector. The Newfoundland and Labrador government fully intends to continue expanding solid market opportunities so we can increase the economic benefits from the seal industry. The misguided activities of the IFAW will not weaken this resolve.

The appreciation of the meeting was expressed by Duncan N.R. Jackman, Managing Director, Fulcrum Investments Company and a Director, The Empire Club of Canada.



February 5, 1998

Don Tapscott

Chairman, Alliance for Converging Technologies and Author

"GROWING UP DIGITAL: THE RISE OF THE NET GENERATION"

Chairman: **Gareth S. Seltzer**
President, The Empire Club of Canada

Head Table Guests

Logan Grant, Grade 12 Student, Toronto District Christian High School; Rev. Brian McVitty, Rector, St. Paul's on the Hill Anglican Church, Pickering; Derm Barrett, International Management Consultant, President, Management Concepts, a Corporate Director and also Author of "The Paradox Process"; Alan Hutton, President, Star Data Systems; Don Morrison, Group Vice-President, Consumer Markets, Bell Canada; Paul H. O'Donoghue, Chairman, Advisory Board, J&H Marsh & McLennan and Chairman, The Advisory Board of the School of Arts and Sciences, The University of Toronto; Steven Belchetz, Principal and Vice-President, Ernst & Young Investment Advisors; Bonnie Patterson, President, Council of Ontario Universities; and Anthony Van Straubenzee, President, Rockhaven Consulting, Partner, Insite Institute and a Past President, The Empire Club of Canada.

Don Tapscott

Thank you very much for that kind introduction.

Some of you may have seen my previous book "Paradigm Shift" and I feel a little guilty. In fact I'd like to apologise for helping to create the buzzword "paradigm shift." I heard someone talking recently about how they were going to have a paradigm shift in the decoration of their living room.

Paradigm is a mental model. Paradigms set boundaries around what we think; they constrain our actions. They are often based on a set of assumptions that are so strong we don't know that they are there. For example, Europe is at the centre of the universe; the big problem in the world is communism; the purpose of computing in a large organisation is to automate existing business processes with the goal of reducing costs, specifically head count; a school is a place. Something can happen in our science, culture and technology that causes a shift to occur. That's what's happened with technology. There has been a fundamental change in the nature and role of technology. The computer is changing from being a tool for automation and managing information to becoming something much broader—a communications tool.

I don't think it's an exaggeration to say that we are in the early turbulent days of a revolution as significant as any other in human history. There is a new medium for human communication emerging and we need to go back to the invention of the printing press to find something similar. As this technology extends out into commerce, business and society there's a new infrastructure emerging. Just as the roads, electrical power grids and highways were the infrastructure for the old economy and industrial resource base that served Canada well for many decades, information highways delivered to you by companies like Bell Canada are becoming the infrastructure for a new kind of economy. What are they going to do? They are going to fundamentally change the nature of the firm, the way we trade wealth, the way we conduct learning and the way that we maintain social development as a society.

Those of you who have been following my work over the years know that I have been talking about the technology revolution for a couple of decades now. And then something happened. My wife and I had a couple of kids and we noticed how they seemed to be able to use computers effortlessly. At first we thought our children were prodigies and then we noticed their friends were like them. We thought how odd that all their friends were prodigies. It then occurred to us that something important was happening. A new generation was emerging. The baby boom has an echo but what the demographers have not yet said is that the echo is louder than the original; the children of the boom are the biggest generation ever.

What's a defining characteristic of this generation? We can call it the global-warming generation or the stock market-volatility generation or the post-glasnost generation but the really big thing that makes it different from our generation (the TV generation) is that these kids are the first to come of age in the digital age. They are growing up digital. Information technology is changing business, commerce, education, entertainment—every institution in society. A whole new kind of kid culture and psychology is being created, and these kids are going to dominate the 21st century. Combining this with their digital mastery I don't think there's a more powerful force for change.

To what extent are kids using technology? In Canadian homes with children, 80 per cent have video games; two-thirds of kids above the age of six growing up in Canada know how to use a computer. Almost half of Canadian homes with children have a computer and it's cool to be on-line. I worked with a company called Teenage Research Unlimited. It has researched what's "in" for children over the last couple of decades—and this is looking at teenagers. In the year 1994, 44 per cent of teenagers said it was "in" to be on-line and by last year, 1997, that had jumped up to 88 per cent. That makes being on-line in a three-way tie for what's "in" for teenagers. Do you know what the other two things are? Partying and dating. Being on-line is tied with partying and dating!

How is this affecting kids? Do you know the main victim of time spent on the Internet and the computer? I'll give you a hint. It is not playing soccer, practising the piano, doing homework or hanging out with friends. It's time spent watching television. The web is eating TV. Television watching in families with children and an on-line access has cratered. When these kids are on-line, they are users not viewers. When they are on-line they are largely reading, they're analysing, they're evaluating, they're authenticating. When I was a kid when I saw a picture it was a picture. When these kids see a picture they have to authenticate. Who sent it to me? Is it really the person he or she said it was? Is it a software bod? Is it animation? It was sent to me by a 13-year-old cyber chick. Is that really a cyber chick or is it a 40-year-old cyber marketer? Or cyber pervert?

So this is developing a very critical generation of youngsters. In the sixties we had this generation gap where kids and parents had big differences over lifestyles and values, music and so on. It doesn't exist as much today as kids and parents get along pretty well. What we have today is not a generation gap. We have a generation lap where kids are lapping their parents on the info track. Of the 300 kids that I worked with when I was writing "Growing up Digital" 85 per cent of them knew more about computers and the Internet than both of their parents. This is creating a unique period in human history. For the first time ever children are an authority on a central innovation in society. (I was an authority on model trains when I was a kid.) Kids today are authorities on the central innovation transforming every institution in our world.

There's a youngster in Toronto whose name is Michael. He and several of his teenage colleagues from around the world created a web site called mydesktop.com. Michael and his colleagues get eight million hits a month. This makes Michael at 15 bigger than many Fortune 500 companies and many national governments. Imagine being Michael's parents. Imagine being Michael's teacher. Imagine being Michael's boss as he goes out into the work force. "Hi Michael. Welcome to the Humanic Control Enterprise. I'm your boss. A boss is someone who is an authority on everything." "Well hold it," says Michael. "I've been an authority since I was 11." "What we do around here Michael is we move up the corporate hierarchy, get more people reporting to us, because compensation goes up when that happens. And by the way I have some turf battles I'd like to solicit your support in fighting. I don't use a computer because we are interested in cost control and productivity." Michael is out of there. He's going to be an entrepreneur doing it himself, or else Michael and his generation are going to bring a whole new meaning to early retirement for the older generation in the work force.

These kids are going to affect the work force profoundly. They are going to affect consumption. They already have $150 billion in North America alone in direct purchasing power and another $500 billion in indirect power. There's a story in my book about an 11 and 12-year-old brother and sister. They go on-line and decide the family really wants to buy a Volvo. They present all this data to their parents who don't know how to surf the net and the parents become convinced. They go on-line and they buy the car.

These kids are also going to affect everything that we know about advertising, and the brand. I personally think the brand, as an image, is in deep trouble. We won't be able to establish it just in mass communications. A brand will become much more of a relationship based on values. It is easy to say "a wash is whiter" but if it isn't these kids are going to find out. They are going on-line, they are going to be party to evaluations and discussion groups. Innovation will become central to Proctor and Gamble's success, not just marketing. And mass communication will be less effective as a way of advertising. Brand will become a relationship which is increasingly based on values.

How about the impact of these kids on how we learn? I think in Canada we have a very dumb debate underway on this issue. One extreme is people who say that there's no role for technology in the schools. At the other extreme we have people who say that technology is the answer to everything including the real challenge which is how do we get rid of teachers. Well my perspective is that both points of view are incorrect. There is a very different point of view: We have the emergence of the most powerful learning tool ever. It can change the role of the student and the teacher in the learning process. We can take teachers out of the business of lectures and broadcasting information and get them into the learning business.

Imagine someone who was frozen 400 years ago, came alive today and looked around at an engineering lab or a cockpit in a jumbo jet or a doctor in an operating theatre. He would think: "Wow has the world ever changed." Technology has been at the heart of very profound changes. If he went into a lecture hall of a typical university he'd say: "Finally something I recognise." Learning has essentially been unchanged for many years.

There are many great examples of the use of technology in education at the K to 12 level in Ontario. A school in Oakville is a wonderful example. Kids and computers there are inter-networked together. It's an alive and exciting environment. Kids are discussing things. They are very turned on to learning. Not far from there is a school where kids are learning how to clean points in cars in an auto shop. Cars don't have points any more. They have electronic ignition. At the other school shop is CAD CAM. The kids draw the class logo, they output it to an embroidery machine and output it onto a T-shirt or something like that. They are learning the new economy, the new technology and they are using the new technology for learning.

We could move to a new model, away from broadcast learning as I call it in the book, to interactive self-paced learning. One of the great educators said that the great tragedy of teaching is that every lesson taught denies a student the opportunity for discovery. Think about what you can remember from your schooldays. You remember what you discovered—a model of learning which is not one-size fits all but very much focused on the student as opposed to the needs of the teacher. We can move to this model if we are willing. It is a model which the research shows works.

What's the role of the teacher in this situation? Many teachers feel threatened by this, thinking that somehow this is a threat to their jobs. The irony of course is that it is the status quo that's a threat to teachers, not technology. If we don't re-invent learning for a knowledge economy and embrace these powerful new tools of learning then someone else is going to do it rather than the universities and the schools.

Now Queen's University is a good engineering school. What's the big threat to Queen's? Is it MIT? No. It's all these private-sector universities which will be delivering fabulous engineering courses any time any place on a network at one-tenth or one-hundredth of the cost and with full accreditation. They can grant degrees. The same is true for K to 12. There is a big growth in home schooling. I don't think this is the answer. Society's resources should be applied to learning, not left to the challenge of individual parents. The big problem with home schooling is that parents are not good teachers.

We need to re-think the model of learning and if we do so the role of the teacher becomes more important and more exciting. Think of your favourite teacher. What made him really wonderful was not that he was a great transmitter of information. What made him wonderful was that he inspired you, motivated you, challenged you, put things into context, and structured the learning experience. Only human beings can do that. That is a more exciting role for teachers I believe than just being in the data-transmission business.

These kids increasingly are used to interactive learning. They are not going to want to listen to a lecture. They are going to want to interact and as they go out into a knowledge economy they are going to need the critical thinking skills that come from experience in the interactive world. It is called life-long learning.

In the old economy there was a period in your life where you learned where you were. You graduated and you were set for life. These kids graduate; they won't be set for life. They'll be set for about 15 minutes and if they took a technical course half of what they learned in the first year will be obsolete by the time they get to the fourth year. They're going to have to re-invent a whole knowledge base multiple times as they go throughout life.

I personally believe that a liberal arts education is a fabulous way to equip oneself for life-long learning in a knowledge economy. Of course we need people with strong technical skills as well.

How about the family? Most parents don't even know what their kids are doing on-line. This is creating a source of conflict within many families and it needn't be. The net, rather than being a source of conflict, should be a wonderful new friend to create discussions, to negotiate a dream, to create what I call open families. Now you've got some youngsters on the net. Get to know what they are doing. Talk to them. "I hear that you can buy a car on the net." How would that work? What about planning a vacation to Whistler. "I hear you can plan a vacation and book tickets on the net." How would that work? What about pornography? "I've heard that there is smut on the net. What do we think about this? Can we negotiate an agreement in our family? I'll give you access and we can make an agreement as to what are appropriate places for you to go."

If you must you can implement blocking software on your computers. In our family we don't do this and so far it is working. We try to be good parents and just be closer to what our kids are doing. I was interviewed recently by a journalist who said: "Don, but there are always great blocking packages. Here is one that will prevent your kid from taking your credit cards and stealing $2000 from you to buy video games on the Internet." I thought about it for a second and I said: "If my kid was taking my credit card to steal $2000 from me I have a big problem and the solution is not software. The solution is I need to be a good parent. My kid needs some values. The two of us need a relationship." Use the net as an opportunity to reach out to your kids and build stronger open relationships with them.

This is a time of great opportunity but it is also a time of danger and for me one of the biggest problems is what I call in the book the "digital divide." There's a danger we'll create a world of haves and have-nots, knowers and know-nots—kids, adults eventually, who can communicate with the rest of the world and those who can't. There is a shocking graph in the book that I developed based on census data and it is a very depressing graph. It shows the United States but this is roughly true in Canada—the digital divide with kids is growing. It is not getting narrower. The top socio-economic one-third of kids has access to computers and the net in the home. The middle third are getting it over time and the bottom third is flat. Nothing is happening. By the time these kids ever get access to the net they won't be kids anymore. We can create some wounds in society that can be very hard to deal with.

The gap between the developed countries and the under-developed countries is huge and is growing. One half of the children in the world have never used telephones, let alone been on the Internet. We've launched a new campaign. Our goal is that every child five years old and older has access to the net. This can contribute to getting kids access to health care and access to proper learning and access to safety and any of the other requirements for children. As many of you are business people I'd like to make a modest proposal if I could because this is not just government's problem; it is business's problem. These are not just social or ethical issues. These are business issues. Why don't we launch a campaign in Canada to get every kid wired; get the technology into the schools? Why don't we launch a campaign to get community computer centres like the Dovercourt boys and girls club which is wonderful organisation? Do you know that in a very poor ghetto in the United States kids are laying down their weapons and quitting their gangs to join the community computer centre? But you have to do your homework first before you can surf the net.

How about this as a proposal? All of your corporations should buy computers for your employees to take home. Before you throw a bun at me think about the cost of a computer capitalised over several years compared to the cost of an employee. When the employee takes a computer home the kids will learn how to use it, the kids will teach the parents, and the fluency of your work force will go up. Now that sounds like a joke. I told that to an audience and one CEO of quite a significant company stood up and he said: "We did exactly that and the fluency did go up. Immeasurably. Not only that but we are now a really hip desirable place in which to work." So corporate America knows it and Canada just do it. Buy a computer for your employees to take home. There is a good hard-dollar business case to do it.

So just to wrap up. We're being lapped by our kids. When I first went on-line with the kids who helped me write my book, the "Growing Up Digital" chat moderator, a young woman of 22, said: "Please welcome Mr. Tapscott," and one of the kids typed in: "Hi dude." The moderator said: "Please don't call Mr. Tapscott 'dude.'" And I said: "It's okay, my kid's call me dude." Another kid typed in: "Do you have a home page?" And I typed back: "Yes I have a home page." Before I could finish, another kid typed in: "You should check out my home page." And the words "My Home Page" were dark blue and underlined on the screened. Now those of you who have been on the web, know this kid had created a hot link, so all I had to do was take my mouse and click on My Home Page and it went to her home page. It turned out she was an 11-year-old girl. Her home page was in Seattle. She was talking to me in HTML and then it happened. She typed back in: "What's your home page?" I thought: "Oh no. I don't know how to do this." So I called the director: "Quick how do we do this?" I finally typed in: "My home page is www…" Forty-five seconds into the conversation all these kids knew that they knew more about technology than I did.

I told that story to a group of executives in the U.S. and at the end of the session the president of Coke said: "Generation lap resonates with me. Here is my story. I was home one night at seven o'clock and the phone rang. There was an adult on the line. The adult said: 'Is Sam there?'" (Sam is Jack's 13-year-old son.) Jack said: "No he's not here." And the adult said: "He is not there; well where is he?" And Jack said: "He is playing soccer. May I ask who this is?" And the adult said: "He's playing soccer; he's supposed to be at work." Jack said: "Work? Who is this?" It turned out that Sam, 13 years old, has been posing as a 28-year-old on America On-Line and he's got a job at $25 an hour monitoring chat groups. The boss was phoning up to see where Sam was. "So Sam is playing soccer. I didn't know Sam played soccer." Jack said: "Generation lap. I was wondering why he had all this disposable income."

For the first time ever children are an authority and if we listen to them we can learn. In this digital world they're creating the knowledge, the psychology and the ways of interacting, which will transform society. If we do the right thing, if we give them access to the tools of their generation, I'm confident that they will develop into the kind of leaders who can solve many of the problems that we have created or have been unable to solve.

"There's nothing so powerful as an idea that the time has come." The time has come for new kinds of economies and new ways of creating wealth and sustaining social development. The time has come for the new generation that has access to the tools of its time to take its rightful position in a new century. The time has come for each of you to find that responsible and ethical and wise person within you to be able to listen to children and do the right thing so that this smaller world that they inherit will be a better one and that they have the tools to shape the 21st century in the right direction. I will tell you one thing for sure: the next period is not going to be boring. Thank you very much.

The appreciation of the meeting was expressed by Anthony Van Straubenzee, President, Rockhaven Consulting, Partner, Insite Institute and a Past President, The Empire Club of Canada.

February 12, 1998

John S. Hunkin

President, CIBC World Markets

WHAT'S BEHIND THE PROPOSED BANK MERGERS?

Chairman: **Gareth S. Seltzer**
President, The Empire Club of Canada

Head Table Guests

Blake Goldring, President and COO, AGF Management Limited and a Director, The Empire Club of Canada; Marilyn Areias, Student, Bloor Collegiate Institute; Rev. Vic Reigel, Honorary Assistant, Christ Church, Brampton; Robert Grandy, Chairman, Merrill Lynch Canada Inc.; Mark Yamada, Managing Director, Guardian Capital Advisors; John MacNaughton, President, Nesbitt Burns Inc. and a Past President, The Empire Club of Canada; Stephen Donovan, Partner, Tory Tory DesLaurier and Binnington; Patricia Meredith, Executive Vice-President, Corporate Strategy, CIBC; Charles Winograd, Deputy Chairman, RBC Dominion Securities; and John Sadler, Executive Vice-President, Corporate Affairs, Newcourt Credit Group and a Director, The Empire Club of Canada.

Introduction by Gareth Seltzer

Well, today's luncheon is well timed as the characteristics of the market could not be more complex and yet inviting around the globe. In North America, it appears that we may be gaining some positive momentum, while Asia may weaken further before it gets better.

I was listening last evening to Paul Summerville, of RBC Dominion, who was pointing out the contradictions in our current economy. More specifically, that in 1991 Japan was the mammoth market that would overtake the world and Japanese management styles were the envy of North America. According to the business management books, it looked like early morning tai chi and other motivational business management techniques would take over our own marketplace routines. Here we are six or seven years later, and if we had adopted current Japanese management techniques we would all be resigning and hanging ourselves.

Also in 1991, Canada was seemingly dead in the water, with a massive annual deficit—aside from our still existing enormous federal debt—and a rather sobering growth outlook. Here we are six or seven years later, after having enjoyed the best bull market in history.

The question, I suppose, is how do we exploit global opportunities going forward? We have a strong currency in real trade terms, and an intellectual property bank that is very impressive. Today we have the opportunity to hear Mr. John Hunkin's views on Canada competing in the global economy. Keep in mind that not every suggestion, merger or proposal needs to be proven true in advance. It is the nature of the unknown that makes the market work. You tell somebody that there are 400 billion stars in the sky and he will believe you. You tell the same guy that a bench has wet paint on it and he has to touch it.

Mr. Hunkin joined the CIBC in 1969, and by 1984 became Executive Vice-President of the Western Hemisphere Banking Activities. That's one hell of a business card. Named in 1988 as President and COO of Wood Gundy Inc., he now heads CIBC World Markets—essentially the global Wood Gundy operation. He holds numerous directorships in business, academia and in social welfare organisations. Mr. Hunkin's company was the first Canadian bank to move into derivatives and high yields and the Financial Post has called CIBC World Markets "the deal maker of the year" for the past two years. In his spare time, he likes to work—which might explain his golf game, from what I hear.

Please give a warm welcome to the President of CIBC World Markets, Mr. John Hunkin.

John Hunkin

Let me say it is a great pleasure to be here and Gareth thank you very much for a wonderful introduction.

In recent weeks various interest groups have gone to great lengths to analyse the benefits and costs of allowing banks to merge. My ability to objectively add anything to this analysis is probably suspect. After all we are really deciding the future of my bank and my industry. So my intention today is to step back and look at what's behind this desire to merge.

The real driver behind the desire to consolidate is globalisation—a force that is dramatically changing how companies compete and succeed. If you look around you'll notice that most scale-driven industries have already grown to global proportions. These include the oil, mining, forest products, aircraft and pharmaceutical industries—the list goes on. Industries involving many consumer goods—PCs, cars, TVs, soft drinks, shoes and even movie production—have also globalised. Goods and services that are harder to brand or regulate are just beginning to globalise—banking, legal and accounting, education, medical care and utilities. Companies in all industries are getting much bigger with greater reach than ever before. Northern Telecom now derives two-thirds of its revenues from outside Canada. Business books and magazines are packed with discussions on why globalisation is happening. I'll give you the Coles Notes edition:

- Deregulation. Government deregulation is a way to achieve higher standards of living through greater competition.
- Technology. We now have the ability to send information around the world in a nanosecond.
- New risk management and financing tools. These are making financial activities more lucrative and less risky.

- And convergence. Financial markets are merging into one global capital market.

These events have created two new opportunities. One—the opportunity for companies to grow well beyond their borders. And two—the opportunity for investors to seek out the highest-yield company in the world. Both opportunities are being seized. There is hardly an industry in the world that is not in the process of consolidation.

A company can achieve scale in two ways: by internal growth over a period of years or by an immediate shot in the arm through mergers and acquisitions. As we see in the daily newspapers, more and more companies are opting for the shot in the arm. Even industry giants in their own right, like Microsoft and Intel, are continually making acquisitions to fuel their growth. Last year we watched a record level of takeovers throughout the world including World Com's US$37-billion offer for MCI Communications. If that wasn't enough, this year we saw an even bigger announcement—the US$165-billion merger proposal between Glaxo and SmithKline. In 1997 merger activity globally generated more than 4,000 deals.

The pursuit of size is really the pursuit of profitability in a much larger, more competitive battlefield. Faced with limited ability to raise prices, thanks to low inflation, companies are working at becoming super efficient to bulk up their bottom line. They're streamlining, looking for better efficiency and entering new markets. In doing so they're disrupting the balance between domestic players.

We saw the Japanese auto industry dislocate the U.S. auto industry and Wal-Mart dislocate independent stores throughout North America. In my business, investment banking, foreign competitors have made significant inroads into Canada. Last year CIBC Wood Gundy was first in corporate debt underwriting but hot on our heels were Goldman Sachs and Merrill Lynch. U.S. players now occupy the three top rankings in international equity and debt underwriting for Canadian issuers. We worry about this in much the same way as Canadian retailers worry about Wal-Mart.

As this foreign competition and domestic dislocation escalates so does pressure from shareholders and customers. Shareholders want performance and customers want better service, price, convenience and choice. Both will move quickly to those who can meet these expectations. The airlines and telecommunications industries have undergone significant deregulation and consolidation. As a result, consumers saw prices fall by 20 per cent in the first five years after deregulation, and a further 20 per cent in the following five years.

In this environment executives in boardrooms around the world are wrestling with growth strategies—whether to merge or acquire, to undertake a joint venture or to make a foreign investment; how to deal with new risks, build market share, and distribute to new markets; and how to manage the complexities that comes with growth.

Today a big part of the answer is scale. Scale makes possible large investments in research and development, technology, people and marketing. It increases one's ability to absorb risk, to generate net income growth, to protect against being acquired and to grow through additional acquisitions. These are all things that shareholders want and expect. The furious rate of consolidation is redefining what scale really means.

Twenty years ago being one of the world's top 20 non-financial companies meant having a market task of about $1 billion. That number is predicted to climb to more than $100 billion over the next six years.

Recently people have questioned whether it is necessary for banks to be big in order to be profitable. The short answer is yes. The longer answer is that size doesn't guarantee profit, but it does set the stage for being able to compete on more aggressive terms. In our submission to the task force on financial institutions we address the issue of size in detail, and there are copies at the door for those who are interested.

As I have described, in virtually every industry scale has become the admission price to the game. To me it just makes sense for countries to encourage their strong industries to grow and flourish globally. And we are seeing this growth. In Canada last year more than 1,200 merger-and-acquisition deals were transacted with a total value of more than $100 billion. This year already The Bay and K Mart, Novell and Trans Canada and my competitors have made the front-page news, but there are many less familiar Canadian companies that are laying down global stakes through acquisitions.

Today most countries have a critical stake in the global market and not just as exporters. Look at the video games your children play with, the newspapers you are reading today, the stocks that make up your mutual fund portfolio and the furniture, food and clothing you buy. They come from all over the world.

The companies of one particular country provide Canadian consumers with a myriad of products and services—salt to electronic equipment, gasoline and financial services. It is very similar to Canada in GDP and population, and like Canada its small, domestic market forces this country to look abroad for growth. A long time ago Holland recognised how important it was to participate in the global marketplace. It has built a prolific role for itself worldwide. Its citizens have benefitted through a high standard of living. The Dutch view their home-grown world-class companies, even the banks, with pride. They see them as a trademark of their country's success.

Size and scale. You can hate it, you can curse it, but you can't shut the door on a world trend. Investors haven't; neither have my competitors. They recognise scale as an important base for cultivating growth. Canadians worry about becoming a branch-plant economy. We don't have to be. Canada is more than equipped to be a significant global player in several key areas. We have not begun to reach this potential. In banking the combination of any two banks in Canada will not create the necessary global scale. The merged entity would have to follow with a series of acquisitions or mergers to be in the same league as the major U.S. and the major European banks. This series of acquisitions would focus on gaining size and efficiency, broader product capabilities, market share and the ability to make massive technology investment, all of which will lead to greater customer service, shareholder values and market capitalisation.

But just as size breeds strength, it also breeds discomfort in Canada. This discomfort comes at a time in the world's history when size is paramount. Perhaps we are uncomfortable because we are a small nation. A company of the size necessary for world-scale success may be simply too big in our terms of reference. Or perhaps we are uncomfortable with bigness because of our proximity to the U.S. or our historical suspicion of big business, big government, big profits and, yes, big banks.

It is not surprising the banks get singled out for special attention. We touch every individual and every company in this country. I suspect that every person in this room owns a piece of one of them through his or her pension plan or mutual fund. As shareholders you may feel inclined to support scale. As customers, you may be concerned about reduced competition. That is why the task force is important. To a large extent its very existence recognises that our national interests are now closely meshed with the global community and must be examined in the light of the world we live in. The task force also underscores the need to identify all the stakeholders and the impact of them, both positive and negative. Bank consolidation outside Canada is happening so rapidly that the gap in scale between Canadian and foreign banks is widening dramatically.

As we debate this issue in Canada, foreign acquisition opportunities are being seized by those with the scale to do so. We must decide with full information with dispassion and with dispatch. The consolidation race is on. The Canadian banking industry wants to enter the race. If we are given a level playing field we believe we can win and our success will be Canada's success. Thank you very much.

The appreciation of the meeting was expressed by John Sadler, Executive Vice-President, Corporate Affairs, Newcourt Credit Group and a Director, The Empire Club of Canada.

February 16, 1998

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

Robert J. Lantos

Chairman and CEO,
Alliance Communications Corporation

BEYOND CULTURAL IMPERIALISM: AN INDUSTRY COMES OF AGE

Chairman: **Nalini Stewart**
President, The Canadian Club of Toronto

Head Table Guests

Gareth S. Seltzer, Vice-President, Private Wealth Management, Guardian Capital Advisors and President, The Empire Club of Canada; Charles S. Coffey, Executive Vice-President, Business Banking, Royal Bank of Canada; Anna Porter, CEO and Publisher, Key Porter Books Limited; Allen Karp, President and CEO, Cineplex Odeon Corporation; The Rev. Canon Elizabeth Kilbourn, St. Michael's and All Angels Anglican Church; The Hon. Barbara McDougall, P.C., Chairperson, AT&T Canada Long Distance Services Co.; Victor Loewy, Vice-Chairman, Alliance Communications Corporation; Gerry Gartner, Vice-President, Business Banking Centre, Toronto, Royal Bank of Canada; Marcelle Lean, Chair, Ontario Film Development Corporation; Norman Jewison, Founder and Chair Emeritus, Canadian Film Centre and CEO, Yorktown Productions Ltd.; Eva Czigler, Senior Director of Network Programming, CBC; and Andrew Organik, OAC Student and Head Prefect, Forest Hill Collegiate Institute.

Robert Lantos

Thank you Nalini. Good afternoon, ladies and gentlemen. I'm honoured to be here. I really want to talk about two things today: first, Canadian storytelling matters to all of us; second, it's good business. In my experience, the two themes are intertwined, and we can all take great pride and pleasure in doing well by doing good.

Last week was a triumphant week for Canadian film, for Alliance, and for all Canadians. A Canadian film received two Oscar nominations. A home-grown talent, Atom Egoyan, was honoured in Hollywood's inner sanctum for "The Sweet Hereafter," a $4-million personal film, without box-office stars, competing against Hollywood extravaganzas. Truly a case of David versus Goliath. At Alliance, which has backed "The Sweet Hereafter," as well as Atom's three preceding films, euphoria reigned supreme.

And then, just to cap all the excitement, something happened that seemed to me almost as much of a landmark as the nominations themselves. When Egoyan arrived at the press conference in our studio, a roomful of Canadian media actually applauded. This is something that happens for a Stanley Cup team, or a Tycoon of Industry. Never have I seen it for a Canadian filmmaker. Film? We're supposed to be losers.

Hasn't it been written thousands of times that Canadian films don't work? So when one does work, the standard journalistic angle has always been: What's wrong with this picture?

But last week, something magical happened. At "The Sweet Hereafter" press conference, the journalists forgot their history of professional scepticism. They checked their spears and arrows at the door. And as the media do in other countries all the time, they took a moment to celebrate, embracing our victory as their own. They applauded, they cheered, they smiled. They actually took communal pleasure in the accomplishment.

In classic Canadian tradition, it did take recognition in the U.S. to bring this about. Who even noticed that "The Sweet Hereafter" had won the Genie award for Best Picture? But no matter, they did cheer. And so, last Tuesday was a dark day indeed for the naysayers. It's going to be that much harder to criticise and complain. I suppose some will still find a way.

They will focus on the film's box-office results, lamenting how it stacks up against Hollywood blockbusters. So let me take this opportunity to deprive them of this, their last refuge, by getting the financial picture straight, right now.

"The Sweet Hereafter" cost $4 million. Like most films in this country, it was financed through a unique Canadian model of partnership between the public and private sectors. As of last Friday, "The Sweet Hereafter" has grossed C$10 million at the box office worldwide. All the investors, including Alliance and Telefilm Canada, have earned their money back and more. By the time it completes its theatrical career around the world—and we have sold it in every country where movies are projected—it will have grossed somewhere between C$15 million and C$20 million. It will gross another $15 million to $20 million via the ancillary markets like video sales, television, pay-per-view, and airlines.

This amounts to somewhere between seven and 10 times its cost. Now compare that with the typical Hollywood studio picture. These days, they cost an average of around C$60 million.

In order to earn the equivalent of "The Sweet Hereafter's" return on investment, these films have to gross between $400 million and $600 million.

Precious few ever do. It takes a "Titanic," which is well on its way to becoming the biggest-grossing movie of all time, to make this mathematics work.

As for the vast majority of the others—not a chance. Yet even this weekend, an article in the Globe and Mail bemoaned "The Sweet Hereafter's" box office, saying it "pales in comparison with the cheesiest Hollywood fare."

This simply isn't true. The Globe chose to focus on the Canadian box-office figure of $1 million to date—and not the global figure of $10 million. But a million dollars in Canada is a lot better than many American films achieve—most costing huge multiples of "The Sweet Hereafter's" budget.

Since Alliance releases some 70 movies a year, ranging from Oscar winners like "The English Patient" to teenage thrillers like "Scream," and many of the top European movies like "Trainspotting" and "Il Postino," we have lots of data for comparisons.

So let me share some unpublished numbers with you. Canadian box office for "Wings of the Dove," with four nominations, is at par with "The Sweet Hereafter." The new Woody Allen movie, "Deconstructing Harry," which cost five times as much as "The Sweet Hereafter," has grossed only half as much in Canada.

And virtually no foreign film ever surpasses "The Sweet Hereafter's" numbers. That includes Oscar-winning hits like "Cinema Paradiso." In fact, "The Sweet Hereafter" is running ahead of last year's multiple Academy Award nominee "Secrets and Lies," or another nominee, "Marvin's Room," which had the benefit of Leonardo di Caprio.

Of course "Scream II" has grossed $6 million, and so has "Austin Powers," but so what?

Let's compare apples to apples. The comparison being made by the die-hards who are still resisting the applause is to "Titanic," which cost approximately 75 times as much to make as "The Sweet Hereafter." And it took two studios to finance it. Imagine the business risks involved in making these kinds of movies all the time.

No wonder Hollywood only wants movies that can be franchises: spin-offs, sequels, animated versions, rides in theme parks and interactive games. The bigger the amounts of money at risk, the greater the pressure to reduce creative risk. Car chases work. Let's make sure we put in a few every time. Subplots are too complicated. Let's strip them out. Focus groups don't like a sad ending. Let's make every director cut in a happy ending.

We are simply not in that business. As the Hollywood studios go more and more into blockbuster overdrive, risking bigger and bigger budgets on safer and safer formulas, they leave the making of films that tell strongly-felt stories by filmmakers with a personal vision more and more to us.

And as for comparing "The Sweet Hereafter" to "Titanic," what better way to impoverish the senses than to compare cherries and watermelons, and then to find the cherries wanting on the sheer basis of size. What about flavour, texture, colour and sweetness?

Serious adults around the world are starved for films about human beings. They may be fewer in number than the popcorn-munching teenagers Hollywood depends on to sustain its extravagant ambitions, but from the United States to Europe to Latin America to the Pacific Rim, audiences are paying to see Canadian motion pictures.

They may not justify hundred-million-dollar budgets, but we don't make hundred-million-dollar movies. If you add up the total cost of every Canadian film made last year, you won't get to $100 million.

Measured on the most viable yardstick, return on investment, "The Sweet Hereafter" is a commercial success. And it has managed to achieve this on its own terms, without the slightest artistic compromise, and without forcing its studio, in this case Alliance, to take outrageous risks and to bet the farm to finance it. We are happy to trade the theme park rides and the lunch boxes for low financial risk and high artistic integrity.

When my friend Atom Egoyan did U.S. press interviews last week after his Oscar nominations were announced, he was struck by the fact that reporters kept asking him whether the honours will mean that he can now make the films he wants to make. You see, in Hollywood, artistic freedom is something you have to battle for, and Oscar nominations are a useful weapon.

The vociferous spokesman for the American industry, Jack Valenti, always says Hollywood is open to talent from anywhere. And this is largely true, with one caveat: If you go to Hollywood, you have to make Hollywood movies, with all the restrictive formulas that implies.

In Canada, Atom has been free to make his films the way only he can, long before those interviewing him had ever heard his name. Which is precisely why I decided to make Canadian movies in the first place. Let me give you a little background.

I arrived in Montreal at the age of 14. After growing up in two countries which were not exactly shrines of freedom and democracy—Hungary and Uruguay—Montreal felt like paradise. I felt embraced and welcomed, and I suppose I have been motivated lifelong by an immigrant's gratitude.

Perhaps because I had points of comparison—unlike many native-born Canadians—I have always believed that this is the greatest country in the world. I believe that the inferiority complex that infects Canadians is the single-largest factor that holds us back and prevents us from achieving our full potential as a country.

Some of you may have seen a column in the Toronto Sun recently by Peter Worthington. He was writing about a Canadian television show which he had screened only because someone sent him a cassette and insisted that he watch it. Surprise, surprise, he had found it excellent! Usually, he said, just knowing it's Canadian would be enough to make him avoid it completely. That's his loss.

I'd like to take a moment now to show you a tape. Here's what top-rated prime time television and critically acclaimed films look like in a lot of other countries around the world. (Tape shown.)

Paul Gross is one of the success stories of our industry: a home-grown star who through a Canadian television series has developed a worldwide audience. "Due South" is the most popular Canadian series of all time, both at home and abroad. For example, last year it was the top-rated foreign series on the BBC. So things are changing.

Another example: When Alliance began distributing films in Canada, all the Canadian distribution companies combined had less than a 5-per-cent share of the domestic market. Today, Alliance alone has 13 per cent. The Hollywood majors still have the lion's share, but we have been able to gain a significant foothold with independent films from around the world.

Holding Canadian rights to films such as "Pulp Fiction," "The English Patient," and "Good Will Hunting" gives us the critical mass to secure the best theatres for our Canadian films. This is how we need to think about our whole industry and to use our strengths strategically to leverage our presence and to increase the base. The good news is that we have the skill and the know-how to guarantee returns on investment through the excellence of our product and the growing audiences which it attracts.

The growth of our film and television industry has been staggering, especially in television. Today, more than 15 million Canadians are watching at least one hour of Canadian fiction on television every week: "Emily of New Moon," "Due South," "Traders," "This Hour has 22 Minutes," "Air Farce," "Once a Thief," "North of Sixty" and "Cold Squad" are a few examples. We are now the world's second-largest exporter of television drama.

In Quebec, all the top-rated shows are home-grown. Dramas like "L'ombre de l'épervier" and sitcoms like "La petite vie" all attract huge audiences, handily beating imported programmes. A home-grown movie, “Les Boys,” is currently outgrossing “Titanic” with $6 million at the Quebec box office since Christmas.

For the last three years in a row, our films—“Exotica,” “Crash” and “The Sweet Hereafter”—have won major prizes at the Cannes Film Festival.

Canadian music, magazines and books have never had such high market penetration. Our wines are winning international recognition. Increasingly, “Canadian” is becoming a mark of quality, evoking a sense of belonging.

We are developing a world-class film and television industry—over $2 billion worth of production in Canada last year, employing 80,000 people directly or indirectly across many regions in the country. These are environmentally sound, high-paying, knowledge-based jobs. They are open to young people starting their careers.

Business guru Michael Porter used to call this kind of thing a “cluster,” the very basis for international competitiveness. Nurturing and expanding it should be a priority. This is an area where we can win, both at home and in a global context. The Canadian content industry is disproportionately important to Canada. In the 25 years since I began, we have come from humble origins to a multi-billion dollar industry. We can go much further and carve out a growing domestic and international market share.

Imagine the power of a true industrial strategy concentrated on our strengths in content production. If you think that sounds unrealistic because of our proximity to the United States, think again.

Of course, if you’re facing the biggest army in the world, you’re not going to win a head-on battle. Guerrilla warfare is far more effective. Victory consists of finding the many pockets in the global marketplace which are receptive to our product—and securing them.

But we need to put our own house in order. Films and television programmes are intellectual properties. They cost money, and they earn money through the sale of rights.

Nowhere else on earth do television audiences take for granted their access to foreign programming, to the detriment of their own domestic broadcasting system. In Canada, not only do we get U.S. programmes on Canadian services, we are pretty well alone in getting U.S. networks directly and legally. Now, we also get U.S. satellites illegally.

When I use the word illegal, I'm not referring to people buying dishes, but rather to the delivery services, like Direct TV, which are pilfering copyright by selling programmes they do not own in Canada.

There is a certain paradox to the current situation. On one hand, American services are creaming off revenues that are rightfully owed to Canadians through violation of copyright. On the other, the U.S. is the world's most vocal champion of copyright, and the Hollywood studios have the most to lose if the practices in our backyard become widespread. Remember the American threat to boycott Chinese goods unless China agreed to respect international copyright laws?

If you watch Direct TV in any given month, you will see hundreds of movies offered in Canada to which Direct TV and its programming services such as HBO have no Canadian rights. Someone else does. For example, this month, Direct TV offers some 300,000 grey-market Canadian customers our movie "Crash" on the pay-per-view service. That's fine and dandy, except that we don't get paid, even though we own the exclusive Canadian rights to "Crash." This is no more acceptable than taking a stranger's car for a joyride.

As a result, vital consumer dollars which belong inside the Canadian broadcasting system leave the country, and a growing number of Canadians are electronically unplugged from their own system.

Violation of copyright originating from U.S. soil is intolerable. Policing it is Washington's responsibility. And of course, many other Canadian industries stand to lose if we cannot enforce sovereignty of copyright.

The integrity of the Canadian broadcasting system is essential to our national prosperity. The point is not to curb American product, but rather to ensure adequate shelf space for our own product, here at home. We have every right to that, and an obligation to ourselves to guarantee it.

Some free-market advocates ridicule the CRTC for preserving shelf space for Canadian content. They demand so-called "freedom of choice" in the name of the consumer. The point is precisely to offer the consumer freedom of choice by ensuring that the choices include Canadian voices.

In fact, Canadians have more choice than anyone on earth in terms of television programming and certainly more than Americans, who are offered almost exclusively their own domestic product only.

Let's take pride in the accomplishments of our industry: from the public sector, National Film Board and the CBC to the private sector, like Alliance, Atlantis, Cinar, Nelvana, Coscient and IMAX, to the hundreds of small independent production companies which are telling stories that attract audiences at home and abroad. None of this would have happened without a favourable political climate and without government support through agencies like the CRTC.

Some of our Canadian free-market champions believe you shouldn't protect yourself. It seems necessary to state the obvious: Only idiots don't take measures to ensure their own survival and prosperity.

Americans favour themselves all the time. For example, foreigners are not allowed to own TV stations or networks. When the Japanese grab too big a piece of the U.S. car market, they are slapped with tariffs.

The success of our Canadian industry results from a blend of ingredients: artistic inspiration, business know-how, a willingness to invest and take financial risks, framed by supportive public policy. And in that context, let me take the opportunity to applaud the Minister of Finance, Paul Martin, and the Minister of Heritage, Sheila Copps, for getting their priorities straight and partnering with the private sector to advance Canadian television and film.

Which brings me to the fundamental question: Why is this so important?

Canadians spend more than 20 hours a week in front of their television sets. It is their third most important activity, after working and sleeping. The average Canadian 12-year-old spends as many hours watching television as going to school.

English-speaking Canada is the only industrialised country where domestic television is not—by a long shot—the primary source of supply for viewers of all ages.

The people of my industry, as creators of two of the most dominant forms of mass culture, film and television, can provide leadership and inspiration. We can provide shared experiences and images that reinforce our identity.

We can ensure that Canadian kids grow up with stories that are set in a familiar society, with its own geography, climate, politics and values on issues like race, guns, medicine and capital punishment; issues where we don't share the values of our neighbours to the south, and don't aspire to their way of life.

Yet that is the way of life shoved down our throats and, more importantly, our children's throats, on television and in the movie theatres—more so in Canada than anywhere else in the world.

I'm sure many of you have had experiences, as I have, that bring home the problem. Ask your kids to name Canadian prime ministers, without counting Diefenbaker, the dog on "Due South." They will probably be able to name more presidents of the United States.

Have you ever grilled them on their whereabouts the night before, and had them put up their hands and "plead the Fifth"?

It's this slow suffusion of assumptions, based on a foreign culture and institutions, that will make it difficult to keep and develop all the things we cherish about Canada. We have a right to create a climate which embraces whom we are.

We can ensure that our creators have a platform to express themselves, to tell our stories, both at home and around the world. This does not come cheap—although it's significantly cheaper than maintaining a standing army whose ability to defend our vast country from attack by a superpower is, to say the least, highly questionable. The really effective defence system is our distinctness. If we value our way of life, we owe it to ourselves to ensure our cultural vitality.

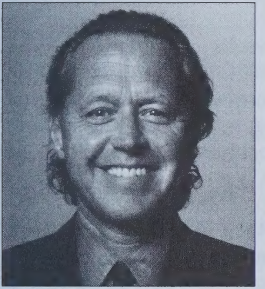
Unquestionably, it would make more economic sense simply to join the United States and forget all this anxiety about whom we are. But for me, and I believe for most of you, that's too big a price to pay.

If we are going to remain a country, and I am convinced that we will, then we must have pride and dignity. This we can only have if we have our own identity. Mass culture is the currency of national identity. It's not something static, to be stored in a museum. It's a living, breathing, organic thing—part of our daily lives.

And it costs money. If we are to continue as a nation, then we must have the resolve to invest in our culture, and the heart to protect it. That heart is beating more strongly all the time. We have proven that we can speak a language that links us. We have proven that we have something to contribute to the world. And we have proven that we can compete on our own terms and win.

Thank you.

The appreciation of the meeting was expressed by Gareth S. Seltzer, Vice-President, Private Wealth Management, Guardian Capital Advisors and President, The Empire Club of Canada.



February 19, 1998

Richard Peddie

President and Chief Executive Officer,
The Toronto Raptors Basketball Club Inc.

THE FUTURE OF BASKETBALL IN TORONTO

Chairman: **Gareth S. Seltzer**
President, The Empire Club of Canada

Head Table Guests

David Edmison, Director, Martin, Lucas & Seagram and a Past President, The Empire Club of Canada; Jama Mahlalela, Grade 12 Student, Oakwood Collegiate Institute; Rev. Dr. John Niles, Minister, Victoria Park United Church; Shelly Thrasher, Special Assistant to MPP Jack Carroll; Borden Osmak, Senior Vice-President, Corporate Banking—Ontario, The Bank of Nova Scotia; The Hon. David Peterson, P.C., Q.C., Senior Partner, Cassels Brock & Blackwell and Chairman, The Toronto Raptors Basketball Club Inc.; Brian Bellmore, Director, Maple Leaf Gardens and (we hope) Director, The Toronto Raptors Basketball Club Inc. and Barrister and Solicitor, Bellmore & Moore; Larry Tanenbaum, President, Kilmer Van Nostrand, Co-Owner, Maple Leaf Gardens and (we hope) The Toronto Raptors Basketball Club Inc.; and Fredrik D'Arcy Eaton, T. Eaton Company and a Director, The Empire Club of Canada.

Introduction by Gareth Seltzer

Well, it has been a tumultuous couple of weeks for Raptor fans and a very exciting one for Toronto, basketball, hockey and city spirit. Toronto Raptor general manager Glen Grunwald was to be here, but as you can read in the Globe this morning, he has been a very busy man—completing the second of two blockbuster trades, this one with the Boston Celtics. The development of a renewed Raptor team is just part of the extraordinary developments at all levels of the basketball organisation, not the least of which is the deal with Maple Leaf Gardens and with Mr. Tanenbaum, Mr. Stavros and their colleagues. To the fan, like myself, it accomplishes several things.

Firstly, I want to see a winning team and this is most definitely a move in that direction. Secondly, it moves both the Leaf organisation and the Raptors into a new building—certainly a financially prudent decision. I will be at the Raptor game against Chicago tonight and I am reminded of Jerry Krause, the Bulls general manager, who said, after the Bulls moved into the team's new building, the United Center: "We lost a couple of games at home which we probably wouldn't have lost a couple of years ago, not because of the talent, but because of the inexperience of the building." With both Leafs and Raptors in the Air Canada Centre, it should get some good experience very fast! The third component of the recent changes relates to a strong ownership and management team. Pat Williams, the Orlando general manager, when assessing whether NBA executive Gary Bettman might become NHL president, said: "I gave Gary a hockey puck once, and he spent the rest of the day trying to open it." Here we have an enviable marriage of teammanship, management and ownership that bodes well for bringing the necessary skills for the production of winning teams.

One person who has been a player in the development of winners is Richard Peddie. After a number of years with General Foods, in 1983 Mr. Peddie was promoted to President of Hostess Foods and later left Hostess to become President and CEO of Pillsbury Canada, during which time the company almost doubled in size and enjoyed record earnings. After winning the coveted Donald McCaskill award for marketing excellence in Canada in 1989, Mr. Peddie accepted the top job as President and CEO of Skydome and in 1992 Peddie was chosen as the North American Facility Manager of the Year.

Mr. Peddie, you give the rest of us a bad name! Since 1996, Mr. Peddie has been President and CEO of the Raptors organisation—and it is in that capacity today, that I ask you to extend a warm welcome to Mr. Richard Peddie.

Richard Peddie

Good afternoon ladies and gentlemen. Over the last few months, there has been a lot written and a lot said about the fragile state of basketball in Toronto. You add to that the uproar over the departure of Isiah Thomas and Damon Stoudamire, the many changes in ownership, an 11 and 40 record and you would think the Raptors are only a slam dunk away from being as extinct as a Jurassic Park dinosaur.

To all of that I say: "Niet... no way... not a chance!" In fact, I take the completely opposite side of the argument. I strongly believe the Toronto Raptors Basketball Club can be right alongside the Leafs as Toronto's team of the 21st century.

Crazy? Not a chance, you say! I can understand your scepticism because when one looks at 40,000 kids playing MTHL hockey, consumer research clearly indicating that the Leafs are Toronto's favourite team and a sold-out Gardens, clearly, we at the Raptors have our work cut out for us.

To make you a convert to my way of thinking, let me explain six powerful points that support my hypothesis.

The first point is that basketball is being played all over the world and this helps us in Toronto. By last official count, 11 per cent of the world's population was actively participating in the sport, second only to soccer at 13 per cent. That's right. Basketball's popularity is intensifying across every continent, from urban New York City to cities and villages in Korea and South America, to isolated native communities in Northern Ontario like Kesheshawan, a town located at the mouth of James Bay, where we actually conducted a basketball clinic last year and, importantly, the NBA is doing everything to accelerate that growth in awareness, interest and participation. There are regular broadcasts to over six hundred million households in 191 countries on 146 different telecasts, league offices in six countries and sell-out crowds at games in Europe, Japan and Mexico.

Against this backdrop now, think of the new Toronto. As Elaine Carey recently said in the Toronto Star: "The new Toronto is not just a newly amalgamated city; it's also a city of new Torontonians and dramatic shifts in immigration patterns are defining who we are." She went on to say that close to half the population of the new Toronto was born outside Canada and one in 10 (imagine, 10 per cent) have arrived in the past five years.

The Raptors therefore have a classic upstream marketing model operating here. Due to the excellent work of the NBA, basketball awareness and trial marketing plans involving mostly broadcast and merchandise, are reaching these people before they come to Toronto and thus, when they come to Toronto, they are well down the road to being avid basketball fans. Basketball—not baseball, not football—but basketball.

Now, you might say: "How can recent immigrants afford the big ticket prices of a typical NBA basketball game?" Well, the fact is that while most of Toronto's early immigrants were poorly educated, 58 per cent of today's immigrants have 13 or more years of schooling, including 16 per cent who hold a bachelors degree and we all know there is a positive correlation between education and income. In addition many of our new immigrants are famous for their work ethic and how quickly they carve out a good lifestyle in Toronto. Even though many new Torontonians cannot yet afford season tickets or a luxury suite, they can afford our single-game tickets in the five to twenty-one dollar range or attend as part of a group. For instance, in this week span, a Chinese group of over 500, a Philipino group of over 100 and a Greek group of 400 all will enjoy a Raptors game. If they still can't afford to come down to a game, watching our television broadcasts on CITY/New VR, or buying a t-shirt will contribute to helping us some day become Toronto's sport of the third millennium.

However, my enthusiasm for my bold prediction doesn't stop there because of the second point. Did you know that basketball participation across all Canadians (native and new) has showed significant growth in the last four years to the point where it is now the fastest growing team sport in Canada.

The highest growth area is among women and girls where the participation has grown 27 per cent between 1992 and 1995. Our research also indicates that basketball is already the most popular sport of teens in Toronto, that it is the second most popular sport of males 18–24 and interestingly, already the second most popular sport of females in Toronto. Can the key sports demographic, males 18–49, be far behind? We don't think so! And I'm not finished yet. My case for basketball and the Raptors' positive future continues.

The third point is that today's sports and entertainment consumers have changed. They're much busier, have less time for everything, are very value conscious and want the biggest, most complete bang for their entertainment buck. Their viewing habits have changed. They like interactivity and they like action and NBA basketball delivers on all counts. For instance, at two hours and only nine minutes, our games are shorter than baseball and hockey, both at three hours in duration. Combine that with a 7:00 start and our fans are home in plenty of time for a good night's sleep.

We also offer a total entertainment package instead of just a game. This is supported by our research that indicates that we outperform the other sports in town for entertainment value. The nature of our entertainment is more 21st-century as well. Urban hip hop music—Dance Pak, Ford Power Pack, mascot and many interactive fan promotions. A little busy, a little helter skelter I admit; but non-stop action just the same.

So, my third point is that our total entertainment package is the most attuned to the 21st-century consumer of Toronto's major sports.

My next three support points are more in the hard business vein.

First the NBA brand. The NBA brand is the one that's in the greatest demand today. It's the one kids know. Seventy-one per cent of teens worldwide are familiar with the NBA logo making it the most widely recognised of all North American sports leagues the world over. Youth around the world love NBA merchandise. Research indicates that an almost unbelievable one out of five teens worldwide own an NBA-licensed product. All of this because David Stern and 700 top-notch sports professionals have made it a very successful, youthful, contemporary and growing brand and with that core brand, the NBA has successfully line-extended. Just as you have Coke and Diet Coke and various line extensions of Tide detergent, the NBA has NBA.com, a very creative and incredibly busy web site. NBA League Pass is a direct broadcast satellite service that broadcasts 50 games a week. NBA Entertainment produces hours of entertainment programming on the daily activities of the NBA. Its most recent line extension is the WNBA—a women's professional league involving eight teams that significantly exceeded attendance and television audience expectations in its inaugural year. It will add two more teams this summer and two more teams the summer of 1999 (one of those in Toronto, we hope). Two other line extensions currently in planning include a retail store and an NBA-themed restaurant. The store in New York is located on 5th Avenue, opens this September and if successful, will be rolled out nationally. The themed restaurant will open in Orlando early in 1999 and will be located at the main gate of the "New Islands of Adventure" theme park. The NBA brand is therefore one of the strongest reasons for basketball's long-term success in Toronto.

My second last point has to do with the activities of last week that saw Allan Slaight sell majority control of the Raptors to Maple Leaf Gardens. Allan Slaight was a great owner of the young Raptors and very committed to their success. However, he recognised that for the team to realise its Championship Vision, it had to be owned by investors with the financial resources to make it a winner. Steve Stavro, Larry Tanenbaum, Ontario Teachers Pension Plan Fund and TD Capital definitely fit that bill and my meetings to date with the new owners strongly indicate that they are very committed to growing the sport of basketball and bringing an NBA Championship to Toronto and, we hope, a WNBA Championship to Toronto as well. The purchase of the Raptors and Air Canada Centre also ends what could have been a very ugly arena war where each building would have kicked and scratched for 150 events a year instead of one building hosting 250 plus of the most popular and profitable events. As Ken Fidlin so correctly pointed out in his recent article in the Sun: "Both teams will enjoy a dramatic increase in cash flow while sharing the capital costs of one building, not two." Ken also went on to say: "By sharing the financial burden, it means there will be a greater chance that both teams will be more able to compete with the big market teams in the free agent pool, where salaries continue to escalate." Amen, Ken Fidlin.

And finally—point 6. Air Canada Centre—The Theatre of Sport and Entertainment—was built out of the remnants of the historical Postal Delivery Building, combined with the state-of-the-art amenities of today's new arenas. Air Canada Centre will truly be one-part history and one-part new millennium. It will also mean that fans will be watching games in a stadium designed for basketball, not baseball, with an atmosphere to match the up-tempo approach of NBA basketball. The new Air Canada Centre has an arena that was going to be great even before Maple Leaf Gardens purchased it. Now, with the new owners' commitment to invest an additional $25 million, it will easily be the finest sports and entertainment venue in Canada.

Six positive backdrop points don't by themselves guarantee the Raptors long-term success! Let me share with you how the Toronto Raptors plan to build upon those opportunities to grow the sport during the next few crucial years.

Taking a page out of the MTHL, we have created Bell Raptorball. This year, 5,000 youths (7–16) will play in community basketball leagues sponsored by Bell and the Raptors. The Utah Jazz has over 70,000 kids playing in a similar programme and that's our long-term goal: let's get the kids playing the sport. Another opportunity is Raptorfest—Canada's largest 3 on 3 Tournament with over 600 teams participating. This year we are joining with the NBA and hope to have over 1,000 teams participating in the three-day event. One day we hope to match Chicago's 3 on 3 Tournament which attracts 2,300 teams. Speedy Youth Clinics are five-day clinics offered free to Toronto youth to teach them the finer points of basketball. Sprite Jammin' with the Raptors consist of visits to 19 schools each year where Raptor players conduct interactive clinics.

Another important awareness and education tactic is our basketball education on CITY/New VR. All our broadcasts carry an education component to assist viewers with the nuances of the game and our announcers, Leo Rautins and John Saunders are mindful that while calling a game, they have an education responsibility as well. Most recently, we launched a new educational initiative in the Toronto Star called "You don't need to play to be a fan." Not only are we running a series of five different ads explaining the game but on February 28, we will distribute 700,000 pamphlets like this in the Saturday issue of the Star, and another 100,000 through Blockbuster Video outlets.

As you can see, our organisation is working very hard to develop basketball in Toronto. We at the Raptors know positively that NBA basketball can be a tremendous success in Toronto. If the Raptors organisation and its new owners execute only average awareness, interest and participation plans, then our success will take a little while. However, if we execute our plans exceptionally well (and I know that our existing organisation is capable of that) and when Butch Carter and Glen Grunwald start moving our team towards an NBA Championship, then our success will be far faster than anyone ever imagined and the talk about the fragile nature of basketball in Toronto will be put to rest forever.

In conclusion today, I would like to share with you this quote from the "Soul of the Game" by Peewee Kirkland that captures the simple beauty and profound impact basketball can have on future generations.

"The legacy of the playground where heart, hustle and pride make the day.

For some it's a place of refuge.

For others a place of challenge.

For all, a place of hope.

To the sports world, basketball is a multi-million dollar business.

To the kid in the street, it means a lot more

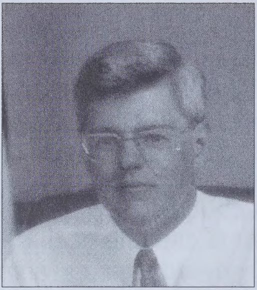
It's his or her destiny.

It's his or her reputation and, in some cases, the final determination of his or her future."

Just like those kids, we believe basketball has a very positive future in Toronto and who knows... 10, 20, 30 years from now, we think it could be Toronto's sport of the 21st century.

Thank you very much.

The appreciation of the meeting was expressed by David Edmison, Director, Martin Lucas & Seagram and a Past President, The Empire Club of Canada.



February 26, 1998

The Hon. John Manley

Minister of Industry

CONNECTING CANADIANS

Chairman: **Gareth S. Seltzer**
President, The Empire Club of Canada

Head Table Guests

Anne Curran, Partner, Lewis Companies Inc. and a Director, The Empire Club of Canada; Jason Leong, Grade 12 Student, Jarvis Collegiate Institute; Rev. Dr. Michael Pountney, Principal of Wycliffe College, University of Toronto; Wayne C. Fox, President, CIBC Wood Gundy Securities Inc.; Dr. J. Stefan Dupré, President and CEO, The Canadian Institute for Advanced Research; Dr. Rony Israël, President and CEO, Pathfinder Learning Systems Corporation; Robert Dechert, Partner, Gowling Strathy & Henderson, Immediate Past President, The British Canadian Chamber of Trade and Commerce and Vice-President, The Empire Club of Canada; Al Flood, Chairman and CEO, CIBC; Colin D. Watson, President and CEO, Spar Aerospace Limited; Gerry Phillips, Deputy Leader, Ontario Liberal Party; Kenneth N. Troy, President, Reuters Information Services (Canada) Limited; and George Cooke, President and CEO, Dominion of Canada General Insurance Company and President-Elect, The Empire Club of Canada.

Introduction by Gareth Seltzer

Today's address by the Minister is well timed. To start, the Empire Club of Canada has just heard from renowned digital guru Don

Tapscott on the increasing dominance of the Internet on day-to-day activity. He noted that there is one home page in Ontario run by a 15-year-old called mydesktop.com that receives, I believe he said, eight million hits a month, more than almost any other site in Canada. Other than the fact that our kids are going to take over the world, I understand that the Minister will address how government is up to the task of acting as a catalyst towards the goal of universal access to the net and net-based data.

At the same time, there was a little matter of the budget earlier this week and I suspect that you have added some comment to your address with respect to the budget. It reminds me of a story of a senator in the U.S. who called his chief aide in a panic saying: "I'm on next, and I can't find the speech I use when I abandon my prepared speech." A balanced budget is a worthy accomplishment and I congratulate you, the Minister of Finance, and all of your colleagues.

Since there has been no shortage of accolades on this historic accomplishment, I am sure that you will not mind that I note that Mintz and partners projected the debt payment amortisation period at around 190 years—and I do look forward to some comment on the debt issue. Lastly, as minister of essentially everything, let me say on behalf of the Club that you are a minister with integrity and of accomplishment.

First elected in 1988, Mr. Manley has been active in the emerging information age—a topic on which he addressed this Club almost two years ago to the day—and we are very pleased that you have accepted our invitation to address the Club today. Ladies and gentleman please give a warm welcome to The Honourable John Manley.

John Manley

Good afternoon. It's a pleasure to be back at the Empire Club again.

I welcome this opportunity to speak to you about Budget 1998, particularly its impact on programmes within my portfolio.

I think most people would agree that Budget '98 was a "good news" budget. As Canada's Industry Minister, I would characterise it as a "great news" budget.

Budget '98 not only continues our successful campaign against the deficit, but goes straight to the heart of the learning and innovation challenges that Canada faces as we approach the new millennium.

As you know, Budget '98 confirmed that we will reach our target of a balanced budget by the end of this fiscal year—the first balanced budget in almost three decades. In four years, with the commitment and support of all Canadians, we have wrestled a $42-billion deficit to the ground and set Canada on an irrevocable course to reduce the debt.

But the 1998 federal budget is more than a milestone in our battle against deficit and debt. It sets the agenda for building a knowledge-based Canadian economy for the 21st century. The knowledge revolution is changing the basis of success for individuals, businesses, communities and nations. Led by dramatic improvements in computing and communications, it is breaking down the barriers of time and distance. It is redefining old notions of competitive advantage giving greater prominence to the quality of people's skills and the inventiveness of their ideas. It affects all sectors from agriculture, natural resources, manufacturing, retail, education and the voluntary sector to governments.

Developing a learning culture is one of the most important challenges Canada faces today. While the knowledge economy is demanding new skills that need to be constantly upgraded, it is also providing the tools for a new approach to learning, one that makes intensive use of new technologies to develop and use knowledge and ideas.

The knowledge economy also places a premium on continuous improvement and the creation and application of new ideas. To stay ahead, Canada needs to build on its strengths in research and people and focus these resources on building a stronger Canadian innovation system.

The 1998 budget expands and deepens our government's efforts to promote the growth of a learning culture and a more innovative Canadian economy. It launches new initiatives and provides new resources for key programmes that invest in people and technology.

We are increasing funding for university research, and the development of highly qualified people by increasing the budgets of the three university research-granting councils by more than $400 million over the next three years.

We are expanding the successful Industrial Research Assistance Program (IRAP) by an additional $34 million a year to provide greater support for Canadian small business in adopting new technologies and developing new products and processes for commercial markets.

These initiatives will complement others we announced in previous budgets, such as the creation of the Canada Foundation for Innovation and Technology Partnerships Canada, as well as the stabilisation of the Networks of Centres of Excellence Program.

A key part of our strategy for investing in people and technology is my agenda for Connecting Canadians. Last September, at the beginning of our second mandate, our government stated its goal to make Canada the most connected nation in the world by the year 2000. This is a strategy to make Canada the world leader in developing and using an advanced information infrastructure to achieve our social and economic goals in the knowledge economy.

Connecting Canadians is a vision for the entire mandate, which builds on our successes and aims at providing all Canadians with access to the powerful learning tools of the information economy. With this budget, the government is supporting a six-part agenda for national leadership. Budget '98 commits an additional $260 million to help make this vision a reality.

As I said before, in the Speech from the Throne, our government made a commitment to make Canada the most connected nation in the world by the year 2000—to ensure that all Canadians have access to a world-leading information infrastructure and the know-how to use it.

Why is it a top government priority?

Connectedness is about our vision of the Canadian society we want in the 21st century: one with a strong, dynamic, competitive economy; one with a strong lifelong learning culture; but also one that uses connectedness to promote social cohesion, cultural expression and to build new linkages between citizens and government.

Essentially, connectedness builds a stronger society and a stronger economy. But in all of these things, the issue is whether Canada will be a leader or a follower; whether we will be defining our own future or importing it; or whether the tool kit for the knowledge economy will be Canadian or American?

How do we rate in our connectedness objectives? How do we compare to our competitors? The answer, in a nutshell, is surprisingly well.

Canada tops the G-7 in home computer, cable and telephone penetration. The World Economic Forum ranks Canada as having the strongest technology potential of the G-7. Canada's phone and Internet charges are among the lowest in the world. And we have the highest level of post-secondary school enrolment in the G-7. In short, Canada starts from a position of strength.

But there are gaps that we have to address to ensure that we reach our full potential as a society and an economy in the new millennium. The less skilled are experiencing increasing difficulty in the knowledge-based economy.

In 1996, the unemployment rate for people with a post-secondary education degree was 5 per cent—about half the national average. For people with a high school diploma or less, it was 15 per cent. People who graduate from universities, community colleges and vocational schools enjoy incomes 45 per cent higher than those with high school or less. We are falling short of our global competitors in on-the-job skills training, ranking 37th compared to our global competitors.

Social and economic cohesion will increasingly be linked to our ability to help Canadians develop skills for the knowledge economy. We need to avoid polarisation between know and know-nots.

I want to show you how connectedness relates to lifelong learning for all Canadians. For youth, the development of computer literacy is essential. To make this happen, all students will require access to tele-learning, computers and the Internet. For adults, tele-learning, computer literacy, and access to government information and services are all key, especially for those seeking employment. The process of lifelong learning should not stop when citizens become seniors. For this group, community-based access and access to government information and services are all crucial. In short, connectedness can help meet the challenge of making lifelong learning a reality for all Canadians.

In implementing an agenda to connect our citizens, we are not alone. Advanced and developing economies alike are developing their own strategies to capture the enormous enabling potential of an advanced information infrastructure. We are in a global race where speed wins, and the countries that lead will dominate the knowledge-based economy.

What will it take to win? It will take partnerships, a national vision, and the capacity to do it quickly. Connecting Canadians is an agenda to build a Canada that can be a global leader in the 21st century knowledge-based economy.

Connecting Canadians is not a one-off programme. It is an agenda for national leadership, an agenda that will brand Canada in the global economy. Making it a reality will take time, commitment and partnership. The agenda we launched in the budget has six action areas: Canada On-Line; Smart Communities; Canadian Content On-Line;

Electronic Commerce; Canadian Governments On-Line; and promoting a connected Canada to the world.

The first element is Canada On-Line: getting Canadians connected. Our objective here is to provide all Canadians with opportunity of access to a world-leading information highway infrastructure. It will require partnerships with the provinces and the private sector to make this a reality.

We already have in place a number of world-leading programmes that we can build upon, such as the Community Access Program, SchoolNet, Computers for Schools and CANARIE.

Right now, the Community Access Program is on target to connect 5,000 rural Canadian communities to the Internet by the year 2000. CAP is giving people in Canada's rural and remote areas access to municipal, provincial and federal information services, and helping them learn the skills needed to compete in an information-based economy. It is becoming a focal point for community partnerships in building on-ramps to the information highway. We will expand this programme into urban areas, providing an additional 5,000 sites, making all centres sustainable and upgrading the network. These centres make a difference for Canadians from all walks of life.

The SchoolNet programme has been another one of our success stories. Launched in 1993/94, SchoolNet will see all Canadian public schools and libraries connected to the Internet by the end of 1998. Other countries are now beginning to copy this as a key part of their strategies to connect citizens to new learning opportunities.

SchoolNet has engaged private and public sector partners across the country in an effort to connect all Canadian public schools and libraries to the Internet by the end of this year. Under our watch and the influence of this programme, connectivity is spreading to schools and libraries throughout the country.

Our agenda for Connecting Canadians will extend connectivity from the school into every class room. If we are to be successful in getting connectivity into all classrooms, this will involve putting computers into classrooms and to do this, we will extend the Computers for Schools Program. To date we've installed some 50,000 computers in Canadian classrooms in partnership with the Telephone Pioneers, the Stentor Group, and provincial governments. We will extend the Computers for Schools Program and challenge private and public-sector partners to provide 250,000 computers for use in classrooms across the country.

To deliver SchoolNet and the Community Access Program, we need to make sure the wiring is there. Students won't stay at a computer terminal if it takes too long to download information and images. The next generation Internet will remove this obstacle. Today, one page of text may be downloaded in about 10 seconds with a 28.8 baud modem. With the next generation learning network 1,000 pages may be retrieved in the same 10 seconds.

The CANARIE programme is a private-sector-led initiative, which involves some 120 member companies, universities and public organisations in building and promoting the development of technologies and applications for Canada's network infrastructure. We will invest an additional $55 million in CANARIE to build the next generation Internet, the world's first all-optical, broadband network. This will make SchoolNet and CAP a unique learning experience for all Canadians.

We will also create the Voluntary Sector Network Program (VolNet) to link voluntary and charitable organisations across Canada to the Internet and to each other. We can enhance the voluntary sector's capacity to engage Canadians by improving their access to, and use of, information technology to help them play a stronger role in

Canadian life. Our initial goal is to link at least 10,000 voluntary organisations to the Internet.

The second part of our plan is Smart Communities. Smart communities provide the infrastructure for connectivity at the community level. The goal is to have a number of communities across Canada recognised as world-class Smart Communities.

They will use information technologies to link people and organisations together, sharing ideas and information, so that all sectors and community members work towards developing their community. Smart communities represent a new approach to local economic development for the 21st century.

The third element of our agenda is Canadian Content On-Line. We want to build on Canada's world-class infrastructure by increasing the availability of Canadian content on line—content that reflects Canadian values, achievements and aspirations and makes Canada a leading-edge supplier of on-line content to the world.

Let me give you some examples of the economic and social benefits:

- In tele-learning, Collège universitaire de Saint Boniface Manitoba was the first college in Canada to offer Internet degree courses.
- In multimedia, we want to encourage more success stories like Softimage which has received worldwide acclaim for its special effects used in movies like Jurassic Park.
- We can put more major cultural collections on line to inform and educate people around the world;
- We can promote social cohesion by facilitating greater knowledge of our heritage.
- We can promote a healthier society by putting health information on line and developing new applications in distance medicine.

The fourth element of our strategy is Electronic Commerce. Electronic commerce will soon revolutionise how Canadians do business. Our goal is to make Canada a location of choice for developing electronic commerce products and services—to capitalise on the phenomenal growth of on-line business. On-line revenues from business and consumer transactions are projected to reach US$2.5 trillion by the year 2000—more than three times the level in 1996.

The most gains from electronic commerce will go to those countries that create the environment for them to flourish ahead of their competitors. But electronic commerce will only succeed if consumers are comfortable with the new technology and what it can do for them.

We are working now to remove impediments to the growth of electronic commerce. For example, Industry Canada and Justice Canada are working together to develop the right legal framework to enable the use of digital signatures.

If we move fast, we can create a global centre of excellence for electronic commerce here in Canada. The move to electronic commerce is inevitable. It's more a question of when, rather than how, and it's interesting to notice how willing Canadians are to use some of the electronic tools.

Our use, for example, of debit cards is equivalent in absolute terms to the use in the United States; in other words, 10 times more per capita than the usage in the U.S. Canadians have shown a remarkable willingness to sample these new technologies. I gather the enthusiasm with which the new President's Choice Bank is being received by some consumers is a further indication of Canadians' willingness to look to electronic means to do some of their standard transactions. We don't need to worry about pushing them. We need to make sure we create the framework from which these things can happen as consumers in Canada want them to happen.

Let me now turn to Canadian Governments On-Line. Putting governments on line connects citizens directly to their governments, and gives them the opportunity to learn more about each other. We have made some impressive beginnings. For example:

- The virtual Customs Office. Revenue Canada provides customs information on line, information that you used to have to engage a customs broker to provide you with.
- The Green-Lane. Environment Canada provides environmental solutions on line.
- My own department's programme, Strategis, which I hasten to mention is the largest source of business information in Canada. We're now at about 220,000 hits per day, which makes it one of the most used web sites in North America and a site on which you can get an amazing quantity of information that can be used in your business.
- Export Source. Again, Industry Canada, together with the departments of International Trade and Agriculture, have taken the lead in developing this resource, providing information about exporting on line. The Canada Business Service Centres are an example of co-operation and co-ordination among 28 federal departments, all provincial governments and the private sector.

But we are not at critical mass. Citizens are demanding services that are integrated, interactive and client-focused. We have made a good start, but there is much more to do and we are working towards a co-ordinated federal Internet strategy with links to other governments.

The sixth part of our agenda deals with promoting a Connected Canada to the world. Connectedness has enormous capacity to bring a better understanding of Canada to the world and help brand Canada as a leading-edge economy.

Foreign Affairs and International Trade Canada is developing an international strategy, the Canadian International Information Network. Connectedness allows us to promote Canada in new ways. For example, investors around the world could access information on the investment potential in Canada with this new technology. By branding Canada as the most connected nation, we can make Canada more attractive to foreign investors and establish Canada as a global hub of the knowledge economy.

We should never underestimate the power of connectedness to introduce change quickly. In the community of Rankin Inlet we see an inspiring example of what connectedness can mean. The Rankin Inlet story demonstrates how connectedness speaks to:

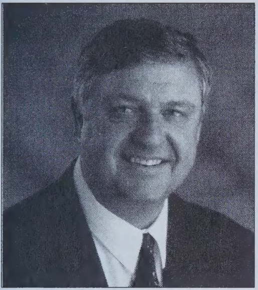
- The convergence of social and economic aspirations;
- Social cohesion and integration;
- New approaches to regional development;
- Cultural expression;
- New approaches to learning; and,
- Branding Canada.

But I will let the citizens of Rankin Inlet speak for themselves in video. I think that video says a lot more about what this whole agenda means for Canada than any speech could do. This is going to affect people where they live, where they work, where they entertain themselves, wherever in Canada.

Connecting Canadians is a plan to help all Canadians acquire the skills and tools that will enable them to prosper in the global, knowledge-based economy. It is a strategy and a vision for the new century. It is an ambitious, but achievable agenda with a value that is greater than the sum of its parts.

We are challenged to act now and in partnership. Every individual here today, and the organisations you represent, can play a role in turning this vision into reality. I look forward to working with you.

The appreciation of the meeting was expressed by George Cooke, President and CEO, Dominion of Canada General Insurance Company and President-Elect, The Empire Club of Canada.



March 5, 1998

Hans J. Mäder

President and Chief Executive Officer,
Novartis Pharmaceuticals Canada Inc.

STRENGTHENING CANADA'S ECONOMY WITHIN THE GLOBAL HEALTHCARE ENVIRONMENT: THE NEED FOR VISION

Chairman: **Gareth S. Seltzer**
President, The Empire Club of Canada

Head Table Guests

Graham W.S. Scott, Senior Partner, McMillan Binch and Board Member, Baycrest Centre for Geriatric Care and the Advisory Council for Health and Policy Analysis, McMaster University; Margaret Samuel, Portfolio Manager Supervisor, RBC Dominion Securities Inc. and a Director, The Empire Club of Canada; Ashley Botting, OAC Student, North Toronto Collegiate Institute; Rev. Ian McLean, United Church of Canada; David Lindsay, President and CEO, Ontario Jobs and Investment Board; The Hon. Jim Flaherty, Minister of Labour, Government of Ontario; Laurence J. Russ, Ph.D., President and CEO, Nanodesign Inc.; The Hon. Cameron Jackson, Minister Responsible for Seniors, Government of Ontario; Patricia Christie, Board Member and Head of Fundraising, Schizophrenia Society of Canada, Toronto Chapter; Gerald P. McDole, President and CEO, Astra Pharmaceuticals Inc.; and Eric Jackman, Ph.D., President, Invicta Investments Inc., Chairman, The Jackman Foundation and The Art Gallery of Ontario, Chancellor of The University of Windsor and a Past President, The Empire Club of Canada.

Introduction by Gareth Seltzer

Hans Mäder

Ladies and gentlemen, The Empire Club of Canada is recognised as one of this country's most prestigious forums. It is an honour for me to have this opportunity to talk to you about Novartis and our industry. More specifically, I propose to do two things: first, to give you a progress report on Novartis, the company formed by the merger of Ciba and Sandoz; and, second, to discuss some of the major issues currently facing Canada's research-based pharmaceutical industry. I hope to demonstrate that these issues impact on our health-care system, our whole economy, and especially on our vision of what kind of a country Canada should be to conduct business.

Pharmaceutical mega-mergers are much in the news these days, what with the dramatic merger announcement by Glaxo and SmithKline Beecham and their even more dramatic about-face. Despite their change of mind, let me say that I am convinced the merger trend will continue in our industry. It provides the best response to managing risk in an environment where research and development are becoming ever more costly and time-consuming. To increase our R&D strength was the main reason for the creation of Novartis. As Dr. Marc Moret, our Honorary Chairman, said so well: "It is our firm belief that in the long term only companies endowed with the greatest research and innovation potential will be among the leaders. The elite will consist only of those companies that can manage several large projects at once, shoulder the long-term investment burden for research of growing complexity, duration and riskiness and—in the event of failure—sustain all the financial risks."

Today, after Novartis' first full year of operations, I am pleased to report that it has succeeded in its merger and established itself as one of the world's largest life sciences companies. The Novartis Group concentrates on three core areas: health care, nutrition and agribusiness. It employs about 87,000 people and operates in more than 100 countries. During 1997, Novartis increased its total sales by 10 per cent to more than $31 billion. It is safe to say that the worldwide Novartis Group achieved its first-year objectives and is poised for future growth with an annual $3-billion R&D budget.

In Canada, Novartis is also clearly established through eight new companies in its core business areas: in health care: Novartis Pharmaceuticals, Novartis Consumer Health, and Ciba Vision; in nutrition: Gerber Canada and Novartis Nutrition; in agribusiness: Novartis Animal Health, Novartis Crop Protection and Novartis Seeds. I should point out that seven of these eight companies have their head offices in Ontario.

Turning to the prescription pharmaceutical sector, I am pleased to say that Novartis Pharmaceuticals Canada has also had a successful first year, marked by the launch of four new medications. These included Diovan, a new treatment for high blood pressure, and Apligraf, a living skin equivalent which heralds our entry into the world of biotechnology. Apligraf is attracting worldwide interest to this province because Ontario is leading the way as an international platform for medical training in the use of this truly revolutionary therapy. Apligraf, however, is still not reimbursed in Ontario.

Thus, it is also safe to say that Novartis Pharmaceuticals Canada is now firmly established as one of the top four companies and a leading force within Canada's innovative, research-based pharmaceutical industry.

I would like to take a moment to change a persistent misconception regularly presented in the press here as a reality: This is the notion that the generic drug business belongs to Ontario while the brand-name industry is concentrated in Quebec. The facts show no such thing. The research-based pharmaceutical industry has more of its companies, employees and research activities in Ontario than in any other province. Of the 60 member companies belonging to the Pharmaceutical Manufacturers Association of Canada (PMAC), which represents the brand-name industry, 34 have their head offices in Ontario and 24 in Quebec. PMAC reports that the innovative industry has 8,506 employees in Ontario and 7,350 in Quebec.

Although our head office is in Quebec, Novartis Pharmaceuticals Canada also provides a good example of how active the research-based industry is in Ontario. In research, we are conducting more clinical trials in Ontario than in any other province, with a planned investment of $8 million in 1998—an increase of 27 per cent over last year. In manufacturing, we are in the process of consolidating all our production at our plant in Whitby.

The Whitby story is a good illustration of the strength of globalisation and the need to work together in this fiercely competitive environment. Out of 10 Ciba and Sandoz plants in North America, Novartis wanted to eliminate six. And because the American market is so much larger than ours, there were strong arguments based on economies of scale that all four remaining plants should be in the United States. For our relatively small Canadian centres, it was a real David and Goliath struggle. And I sometimes felt as if I even had one hand tied behind my back, given the different levels of government support of intellectual property protection that the pharmaceutical industry enjoys in the two countries.

However, as Canadians, we mustered every other argument we could, and David eventually won. The Whitby plant remains open and is even undergoing considerable expansion as it consolidates production not only from Dorval but also from plants in the U.S. The result of this consolidation is that production levels will increase significantly in Whitby from, for example, 150 million tablets in 1996 to 650 million in 2001. To meet this increased demand, the Whitby work force will grow from 250 to 300 by the end of 1998.

What's important about these figures on our activity in Ontario is that you as influential business people here should realise that the innovative pharmaceutical industry is important for Ontario, contributing greatly to its economic strength. This industry annually injects $1.4 billion into the Ontario economy and pays more than $75 million in provincial taxes.

In 1996, Murray Beynon, President of the Board of Trade of Metropolitan Toronto, said: "The benefits and importance of a thriving pharmaceutical sector to Ontario are obvious and far-reaching."

The question naturally arises then as to what will create a thriving pharmaceutical sector in Ontario. The innovative pharmaceutical industry is fully integrated into the new, knowledge-based, technology-driven global economy. The emergence of knowledge-based industries, combined with increasingly liberalised capital and technology flows worldwide, are intensifying the race for jobs and investment among nations. To thrive in this new environment means that you must have a vision of what it takes to be internationally competitive. It is, above all, a question of vision.

In the pharmaceutical sector, four factors make us internationally competitive: 1) excellent medical researchers; 2) a timely drug approval process; 3) international standards of patent protection; and 4) open patient access to new medicines. I will briefly discuss each of these.

Canada can be proud of its medical researchers. The Ottawa newspaper, Le Droit, recently reported that Canadian scientists have discovered or contributed to the discovery of genes responsible for more than 20 diseases. Some of the brightest and the best of Canada's researchers are working right here in Ontario. There can be no doubt that Canada possesses the brain power needed to compete with the world.

What it also needs is the vision to see that internationally competitive health research requires globally competitive levels of funding. The pharmaceutical industry is increasing its share significantly but, in recent years, the federal government has been doing the opposite, to the point where U.S. funding of basic health research per capita is eight times greater than in Canada. We hope that the Government of Canada will make a serious investment in Canadian brain power through increased funding for the Medical Research Council, and we are encouraged by the measures announced in the federal budget last week.

Another major component of Canada's competitive stance is a timely approval process for new drugs. New medicines are approved in Canada by the Therapeutic Products Directorate (TPD) of Health Canada, which has recently been able to dramatically decrease approval times overall, and for this we commend them.

In certain therapeutic areas, however, the improvement has been uneven and much less than satisfactory. Because international pharmaceutical companies must get their products to market as quickly as possible to begin recouping the hundreds of millions of dollars it costs to develop a drug, they naturally favour those countries with the most timely drug approval practices as places to invest and conduct R&D. It is our view that the Therapeutic Drugs Directorate is, to say the least, underfunded; we call on the federal authorities to make sure all therapeutic areas benefit from timely drug approvals.

The third key to Canada's international competitiveness in pharmaceuticals is a globally competitive stance with regard to patent protection. On January 21, 1998, the federal government announced changes to Canada's drug patent regulations following a comprehensive parliamentary review. In brief, the results of this review maintained the status quo in terms of 20-year patent protection for pharmaceuticals. Within the details of this complex question, the government also reduced from 30 months to 24 the review period for disputes on patent infringement, a move favouring the generic industry.

However, enough is never enough and the generic industry has been bombarding you with advertisements denouncing the government's decision. What is important to note is what it doesn't tell you. Its complaints relate to a practice called early working, through which a generic company can begin stockpiling a copied drug so that it has immediate market access when the patent expires. What it doesn't tell you is that this Canadian advantage for the generic industry doesn't exist in any other industrialised country. In fact, the World Trade Organization has taken Canada to task for this unusual practice, regarded as intolerable by the global trading community.

Another thing the generic industry doesn't tell you is that, even with the confirmation of 20 years of patent protection, Canada still lags far behind its major trading competitors. This is because most industrialised countries use patent term restoration to provide additional patent life for time lost in the lengthy approval process. In fact, the effective life of a pharmaceutical patent in Canada is about 10 years, as compared to 14 or 15 years in the United States, Japan and the countries of the European Union.

Any objective analyst would conclude that the generic industry here has unheard of advantages. But that is not enough. The generic manufacturers would reduce Canada's level of patent protection to that of a Third

World country. To a young Canadian who has invested in 10 years of university training to become a scientist, this is the same as saying: "Go work in the United States, because we don't want a research-based industry here." To Canadians suffering from incurable diseases, this is like saying: "Wait a few years; eventually we'll import that new medical technology from somewhere else, and you might just live long enough to benefit from it."

The vision of the research-based pharmaceutical industry is quite different. We don't want Canadians to be hewers of wood and drawers of water. We have made promises to establish a dynamic, research-based industry and we have kept those promises. In response to improvements in Canada's Patent Act in 1987 and 1993, our industry since 1988 has increased its R&D expenditures by more than 276 per cent to exceed $3.2 billion. That represents an average annual increase almost double the world average for the pharmaceutical industry. At the same time, since 1987, the price increases of patented medicines have been on average about half the rate of inflation. People and countries with vision realise that greater patent protection—in the form of patent term restoration—would lead to an even greater investment in jobs, research and new medicines to cure disease.

The fourth factor relating to Canada's international competitiveness in the health-care sector is patient access to new medicines, a notion which requires a bit of explanation. The federal government approves new medications with regard to safety and efficacy. However, more than 85 per cent of Canadians do not pay for medicines out of their own pocket because their drug costs are reimbursed by private insurance plans or provincial governments. Few doctors will prescribe a medicine if it is not reimbursed. Therefore, what patient access to innovative medicines really means is having those medications inscribed on the provincial and insurance company lists of drugs approved for reimbursement. These lists are called formularies.

Facing budget restrictions, provincial drug plans have a tendency to block the listing of new innovative medicines, largely based on acquisition cost, an approach which is short-sighted in the extreme. After all, the acquisition cost of a typewriter is less than that of a computer but not many of you would now want to be tapping away on an Underwood.

Rather than the acquisition cost, what we should be measuring is the overall utilisation cost, because this global vision of the impact of new medicines on health care is both more cost-effective and more in line with a sound investment and job creation strategy. As always, it's a question of vision.

Provincial drug plans which unduly block or delay the listing of new medicines are known as restricted formularies. Ontario Drug Benefit's data clearly shows that from January to September 1997, out of the 320 requests reviewed by the Drug Quality and Therapeutic Committee, 191 were recommended for general listing, 25 for restricted listing and 104 were not recommended.

The sad part is that 89 per cent of the products recommended for general listing were generic products, while 100 per cent of those recommended for restricted listing and 71 per cent of the non-recommended products were innovative, single-source products.

I see a real dichotomy here. I mentioned earlier that, contrary to popular belief, the innovative pharmaceutical industry is more active in Ontario than in any other province. However, when I see such figures for formulary listings, I cannot help but question the return on investment our industry receives here. In our view, a restrictive formulary policy represents both poor health care and bad economics because it fails to recognise the true value of innovative medicines.

It provides poor health care because it underestimates the role that new medicines play in dramatically changing people's lives. I am a businessman and most of my speech deals with facts and figures. However, I want to say that the biggest thrill I get from my job is meeting patients who have been helped by our medications. Throughout most of my career with Novartis, I have been involved in one way or another with the development and marketing of cyclosporine, the drug now available in an improved form called Neoral which essentially made organ transplantation possible. Although my contribution was very modest, I have a great feeling of satisfaction whenever I meet a previously sick person who now is living a full life thanks to an organ transplant.

Or when I hear, as I did a couple of weeks ago, about Deborah Summers, that Vancouver woman who just became the first Canadian heart transplant recipient to give birth. Just four years ago, Ms. Summers didn't expect to live, never mind become a mother! But her son, Brandon, was born healthy on February 13. Without companies having a vision of the importance of research and development and the value of new medicines, this wonderful, heart-warming story could not be told today.

With regard to bad economics, a restrictive formulary policy is penny-wise and pound-foolish. It illustrates a lack of understanding about how improved investment in drug therapy can assist in achieving longer-term cost containment goals within the health-care system. There may be an increased cost as a result of a new drug therapy, but there are also economic benefits to society through fewer hospital admissions, fewer outpatient visits and increased productivity in the workplace.

Examples abound. New medicines to treat schizophrenia have greatly reduced the need for hospitalisation and, according to the Canadian Coordinating Office for Health Technology Assessment, can, with greater access, save $660 million in health-care costs across Canada. New cholesterol-lowering medicines have been shown to reduce the incidence of fatal and non-fatal heart attacks, lower the rates of heart surgery and angioplasty, and reduce the need for and costs associated with hospitalisation.

A recent analysis of hospitalisation trends in Ontario shows that between 1990 and 1996 the use of acute-care hospital beds dropped by 29 per cent. During the same period, the average length of a hospital stay in Ontario declined by 18 per cent. These results are significant as they represent a huge overall savings to society.

New medicines researched, developed and manufactured by the innovative pharmaceutical industry in Ontario are key components for the improvement of the quality of health care in the province and the management of the overall health-care system costs. Traditional health-care programme management with its focus on individual "silo" budgeting fails to recognise this.

Our industry has a great deal to offer government as it develops policies to contain health-care costs and improve patient care. Unfortunately, we find that the provincial government is not working closely enough with us as crucial cost-containment programmes are developed.

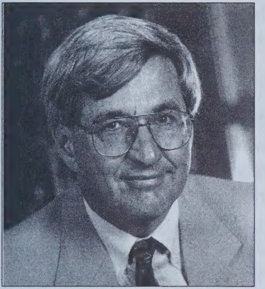
In the final analysis, it's a question of vision. The creation of Novartis arose from a clear corporate vision of how to be globally competitive. What we need in Canada is for more governments to share that vision. The federal government must see that lengthy drug approvals reduce the very sales that finance research, and that uncompetitive levels of patent protection drive investments away to more favourable destinations.

The Ontario and other provincial governments must understand that reducing patient access to new medicines simply increases costs in the long run. Both provincial and federal authorities need to see that they have everything to gain by working in partnership with the pharmaceutical industry to make Canada a success in the new global economy.

This is another way of saying that partnership between governments and the pharmaceutical industry to increase the level of R&D investment in this country represents a win-win approach for everyone. And the biggest winners of all are those most in need—those people suffering from disease who can benefit from the new medicines that research provides.

Thank you.

The appreciation of the meeting was expressed by Eric Jackman, Ph.D., President, Invicta Investments Inc., Chairman, The Jackman Foundation and The Art Gallery of Ontario, Chancellor of The University of Windsor and Past President, The Empire Club of Canada.



March 12, 1998

David MacKinnon

President, The Ontario Hospital Association

CRISIS OR CROSSROAD: TOWARDS A CONSUMER-FRIENDLY HEALTH-CARE SYSTEM

Chairman: **Gareth S. Seltzer**
President, The Empire Club of Canada

Head Table Guests

David Edmison, Past President, The Empire Club of Canada and Director, Martin, Lucas & Seagram Ltd.; Rev. Kent Doe, St. Bartholomew's Anglican Church, Regent Park; Meaghan Atherton, OAC Student, Monarch Park Collegiate Institute; Joseph de Mora, President and CEO, The Sudbury Regional Hospital; Carol Southcombe, Director, Health-Care Services, Glaxo Wellcome Inc.; Jennifer Bowman, Senior Manager, External Affairs, Glaxo Wellcome Inc.; Doris Grinspun, Executive Director, Registered Nurses Association of Ontario; and Bill Laidlaw, Third Vice-President, The Empire Club of Canada and Director, Government Relations, Glaxo Wellcome Inc.

Introduction by Gareth Seltzer

Mr. MacKinnon, on March 13, 1997, almost one year ago to the very day, you brought to The Empire Club of Canada your comments and those of your organisation, the Ontario Hospital Association, on the dramatic changes undertaken by the provincial government with respect to hospital restructuring and health care in Ontario. Unquestionably, you were well qualified to provide your insight as to the future of health-care services.

At that time, our President said that she hoped you would return to update us on this topic and we are delighted that you accepted our invitation to do so. We need to know whether our health-care system is in a palliative care mode, in critical condition, or are we soon to be, or have already been, upgraded to fair and improving. Whatever our condition, we need to act fast and thoughtfully. It reminds me of the story of a man who walks into his barber shop and says: "Just a quick shave please, I don't have time to listen to a haircut." At the same time, I understand that you are concerned—and I am sure we will hear those concerns today—that policy makers are in too much of a rush to transform the system.

Mr. MacKinnon brings more than 25 years of government and business experience to the Ontario Hospital Association and is the past president of Ortech, an applied research organisation. Having read his biography, I think it is fair to say, in the interests of time, it is very lengthy and very impressive. The OHA represents over 23,000 Ontario physicians and I am sure has been well represented by you as President.

Please join me in welcoming the President of the Ontario Hospital Association, Mr. David MacKinnon.

David MacKinnon

Thank you for that introduction, Gareth, and good afternoon.

I am glad to be here again.

I want to emphasise, at the start of my remarks, that I'm going to talk about issues of very long standing. When one makes remarks of the type I'm going to make today, one runs the risk of appearing partisan or of being unduly critical of people or governments currently in office. I don't mean that at all.

From long personal experience with the Ontario government, I know that the problems I'm talking about and the administrative issues relating to them go back as long as 30 years. One has to have real empathy for any government or person who must deal with problems that are so deeply rooted and that have endured over so many different administrations.

However, more than ever, the people of Ontario are troubled by what they see as deepening problems in our health-care system. They are losing confidence in its responsiveness and are worried about its financial stability.

Today I would like to talk about how we can turn these problems into a crossroad and how we can take a very different path to the future.

Exciting new ideas are sweeping through our industry which we think will help us transform our service to the consumer, bring stability to the system and restore public confidence.

Let me first talk about what has taken place in health care during the past 12 months. When I spoke here in 1997, the situation we faced was potentially disastrous. We were facing a third year of budget cuts of unprecedented proportions which we could not have made while preserving medicare as we know it.

There was no budget at all for the major costs associated with restructuring hospitals. Boards were overburdened. Staff morale was at an all time low and nurses, the heart of Ontario's hospital system, felt especially overwhelmed. There was every possibility of a real disaster in the Ontario public hospital system.

Fortunately, the government listened to the advice we presented. In its budget of last May, it postponed the planned third year of cuts to hospital budgets. And it also provided for restructuring costs. These two decisions meant we had some breathing room to work our way out of the difficulties we faced.

I should say how much we value the help provided to us to present better and more detailed advice to the government. The CIBC, in particular, has been wonderfully supportive in terms of lending us expertise, and we could not have done it without them.

Despite this progress, I would not want to mislead you and say that we are on stable ground, even though we have been using our limited breathing room to maximum advantage. We haven't yet reached the kind of stability we want.

Staff morale, which is so crucial in hospitals where the highest standards of quality must be maintained, is a real worry. The clinical and budget targets of the Health Services Restructuring Commission have proven to be unrealistic and out of phase with the actual circumstances of most hospitals and must be constantly refined. Public concerns have grown, fuelled in part by media stories about the many stresses and strains on the system. More and more hospitals are looking at red ink as they struggle to cope with rising service demands.

The failure to build new long-term-care beds over the last 10 years has come home to haunt us. We have no place to discharge patients who have completed the acute phase of their illness and now require other, more appropriate levels of care. As a result, hospitals all across Ontario have less capacity to admit emergency and urgent-care patients. The result? Patients in hallways.

I want to assure you that we are tackling all of these issues in every practical way. But a heavy price is being paid in terms of public opinion.

How people feel about their health-care system should matter very much in any discussion about health policy changes. That's why OHA does a substantial amount of polling. As well, hospitals do surveys of their consumers. And, of course, one can interpret much from public comment in the media. Based on all this, we know that of all the issues on the public agenda, the issues facing hospitals and health care are the most significant to the public.

People believe that the dramatic changes being made to health care are being made to cut costs. They don't believe the message of governments across the country that the changes are about improving quality. The public in Ontario also believes by a large majority, that health care will worsen over the next year. Fully 92 per cent are deeply concerned about health care in general.

Women are much more concerned about health care and hospitals than are men, in part because they are the principal caregivers. It should not be forgotten that about 60 per cent of the people who use hospitals are women; the vast majority of the people who work in them are women and, last but not least, the people who bear increased burdens as care is shifted back to the family—for that is what the shift to the so-called community means—are women.

This shift of services from institutions to what is described as the community is, in fact, at the heart of current problems in health care, and I'd like to explore it further.

Since the early 1980s, this shift has been the dominant public health policy in Ontario. It has become accepted gospel that the shift to the community—we should really say the family—will produce a better combination of price and quality than institutional care. This generalisation has taken deep root and successive ministers of health have worked to shift resources from institutions to literally dozens of other providers.

The trouble is that the generalisation that it is either better or cheaper to shift health care to the community has no validity. Take home care, for example. We've looked at studies the world over and the reality is that different levels of home care have different price tags and different definitions. Some can be more cost-effective than institutional care and some can be much less.

The evidence is absolutely clear—no overall generalisation is possible on which is more cost-effective. It is even possible that quality could decrease and costs rise rather than the other way around if we persist with the shifts from one provider to another that are underway in Ontario.

There is, in fact, a school of thought well illustrated by a recent study done by Ontario's Institute for Clinical and Evaluative Studies that says that home care cannot be viewed as a substitute for institutional care at all.

In brief, there is a place for institutional care and there is a place—a very important place—for home care. What there isn't is enough evidence to support the destabilisation of one part of the system to find the funds to enhance support for the other. Other jurisdictions, notably Saskatchewan, are making major efforts to find out what the facts are. We should do the same and until we get the facts we should not indulge in major financial shifts within the health-care envelope.

This issue is absolutely pivotal. Taxpayers may well wonder what all the fuss is about in health care given the overall stability of the health-care budget. Here is the answer. One of the most important collections of medical skills and assets in the continent has been destabilised over a long period of time to support allocation policies for which there is very little evidence.

There is a special reason why we should be careful now to be sure we get the evidence to support what we are doing.

It lies in the fact that we have a precedent—a very significant one—from a few years ago when we de-institutionalised the mentally ill.

I have been searching for the kind of eloquence necessary to describe the consequences of our effort to move the mentally ill from institutions to the community and found my words to be lacking. They are too clinical, too cold, too impersonal. Fortunately, someone has helped. I'd like to read from an article by Michael Valpy in the Globe and Mail last Saturday: "Deinstitutionalising of the mentally ill, an Age of Aquarius event that dawned across North America and Western Europe in the rosy sixties, has gone down a road no one foresaw."

In his column Mr. Valpy goes on to quote Dr. Sam Malcomson, Chief of Forensic Services at Toronto's Queen Street Mental Health Centre. Dr. Malcomson says, "The Criminal Code has become the Mental Health Act of the 1990s."

Valpy continues:

"With the closing of hospital beds, the new institutional addresses for the mentally disturbed and visibly disoriented are inexorably becoming the jails, the homeless hostels and the streets.

"It is not a new story, merely one that in the past few years has become horribly stark.

"There are accounts of desperate families with no one to turn to for help except the police for their potentially dangerous, delusional children and siblings and spouses.

..."a rash of subway-shoving incidents and seemingly random public assaults.

..."police with no option but to take menacingly ill people to jails.

..."courts and administrative boards whose orders to admit people to mental hospitals are routinely ignored."

Are we going to do this again? Perhaps for other illnesses? Do we want our children, 20 years from now, blaming us if we do? Especially if we proceed in the face of the clear precedent we have before us?

I hope not, for nothing debases our civil society more than carelessness in dealing with those who are ill, or carelessness in dealing with those who are responsible for people who are ill.

Here I would caution that shifting services and funding from hospitals to the community means that we're pushing a greater burden of responsibility back on to families—both in terms of effort, and, in many cases, out-of-pocket expenses. Why has no one asked consumers what they want and can support in the way of personal time and resources to care for family and friends without the help that is available from hospitals?

The situation we find ourselves in today did not develop overnight. It's taken us many years to get to this current state of conflict, impaired system performance, deteriorating public confidence and chronic budgetary difficulties. And, as I said earlier, one clearly must have sympathy for political leaders who happen to be in office when the music stops.

In any event, something needs to be done if we are to prevent further erosion in health care. While change is needed, what we don't need is a radical and revolutionary overhaul of the system that could end up creating further instability. We do need to focus on practical solutions, where decision making is evidence-based, and where change is evolutionary. Rather than attempting to build new systems from the ground up, we must recognise and build on the strengths of the existing system.

In particular, if our goal is to integrate services and create a more consumer-friendly and cost-effective system, we should seek to reinforce the positive developments already taking place in this direction in our current system. We should recognise and follow the example of those who have already demonstrated leadership.

Fortunately, there are many positive developments already well underway. OHA recently commissioned a study on how hospitals are changing to better serve their communities. What we learned is that in many parts of Ontario hospitals have evolved into what you might call broadly structured Health Care Centres. They deliver a wide range of health services, many specifically aimed at avoiding illnesses, usually in alliance with other providers. For the consumer, this translates into access to a broad range of comprehensive health services, with minimal service disruptions.

This is happening all over Ontario—in rural communities as well as in urban and suburban settings. You can find examples of this in single hospital communities in Nipigon and Parry Sound and many others. In each case, consumers access a full range of services through the hospital and the partnerships it has developed. The hospital has become the umbrella under which health services are provided to the community. And because of its expanded role, the hospital is able to manage a patient's care most effectively by intervening at the appropriate level, thereby reducing the number of patients who need to move on to higher—and more costly—levels of care. In each of these cases, the hospital has become much more than just a traditional hospital.

Another example is the Central Metro Integrated Health Delivery Network, of which Sunnybrook Health Sciences Centre is a leading member. This network includes over 30 organisations—hospitals, home care organisations and meals on wheels. Many health-promotion organisations are very important supporters of this network, as well as large private corporations such as IBM and Bell Sygma.

All across Ontario, the future shape of health care is taking place before our eyes. Probably 30 or 40 hospitals are becoming broadly structured health enterprises—a major transformation. And in the rest of the system the evolutionary path is clear: It is to move forward to provide integrated and user-friendly health services, almost always through alliances of all types with other providers. It is very exciting to see this happen.

However, if the present pace of evolution continues, it could be 10 years before all Ontario citizens benefit from this remarkable transition in what a hospital is. We think it can and should happen much faster.

We have taken concrete steps to make sure it does. Recently, OHA submitted a detailed proposal to the Ontario government encouraging it to recognise this evolution, to celebrate it and to adopt funding and regulatory arrangements to support it. We have made it clear to government that hospitals are ready to broaden the skills and expertise on their boards to accommodate other providers and will operate in a genuine spirit of partnership.

Think of how much stronger the health-care system would be if we had these new Health Care Centres in place across the province offering a broad range of services.

- Consumers would be assured of access to a full range of services;
- Health providers would be in a better position to intervene at the earliest or most appropriate stage;
- We would avoid the costly disruptions associated with making significant shifts within different areas of the health sector;
- Care would improve greatly because different levels and types of care would be integrated; and, finally
- Administrative costs would be reduced since we would be spreading the overheads over one organisation.

As I've said, many hospitals have already been working to turn themselves into more broadly structured Health Care Centres.

We are now asking the government:

- to demonstrate its commitment to this approach;
- to implement supportive legislative and regulatory changes;
- to establish criteria for selecting and evaluating integration proposals from rural, suburban and urban areas; and, finally, and most importantly,
- to fast-track the best proposals that come forward.

We are moving in other new directions as well. We believe that entry to a hospital's services, or indeed the services of all providers must be more than just its front doors.

That gateway should be, in part, electronic. If we had effective telephone triage services in place in every hospital today and for the province as a whole, I guarantee our emergency-room problem would be much improved.

Similarly, we need the Hospital of the Internet to help our customers inform and educate themselves—and we need it now. We are energetically working on both of these initiatives and I think you'll see evidence of our work by the end of the year. We have practical working examples in other provinces, notably New Brunswick, and we intend to be shameless imitators so that in a year or two we're back where the Ontario health-care system should be—in the forefront of events and staying there.

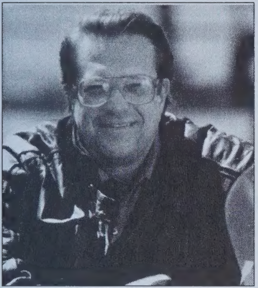
At our last annual general meeting, OHA's member hospitals adopted a broad programme which includes these two measures—telephone triage and the Hospital of the Internet—and also involves better public reporting, an enhanced focus on advanced research, and the further evolution of hospitals as health centres, along the lines of the suggestion I made a few moments ago. We are optimistic that the government will work with us on these initiatives, but if it doesn't, we'll do what we can on our own.

In summary, Mr. Chairman, hospitals have had a very, very difficult year, but we are doing all we can to minimise the negative impact on consumers and we are moving forward. To succeed, hospitals need to make basic changes themselves and they need a fundamental change in government policy.

As a society, we must plan and build the system on the evidence available to us and not on well-meaning beliefs. Over the next year or two we must use existing best practices as the basis from which to build a new network of Health Care Centres in Ontario. If we take these two steps, we will see a much improved system and the present stresses will become a distant memory.

Thank you.

The appreciation of the meeting was expressed by Bill Laidlaw, Third Vice-President, The Empire Club of Canada and Director, Government Relations, Glaxo Wellcome Inc.



March 26, 1998

Richard F. Teerlink

Chairman, Harley Davidson Inc.

Chairman: **Gareth S. Seltzer**
President, The Empire Club of Canada

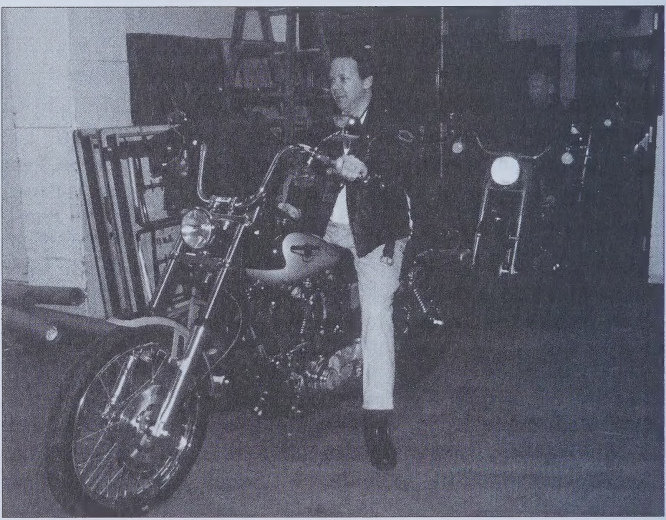
Head Table Guests

Dr. Eric Jackman, President, Invicta Investments Incorporated, Past President, The Empire Club of Canada and Chairman, The Jackman Foundation. Personal ride: 1971 Harley ElectraGlide; Rev. Philip Bristow, Associate Priest, St. Paul's Anglican Church, Bloor Street; Bob Davies, President, Davies Harley-Davidson. Personal ride: 1998 Harley Road King Classic; Michael Lee, OAC Student, Eastern Commerce School; Allison Duthie, National Co-ordinator, Harley Owners Group and owner of a 1998 Harley Softtail Custom; Paul Cantor, Executive Director, RP Research Foundation Fight Against Blindness and The Ride for Sight; The Hon. John Snobelen, Minister of Natural Resources, the Government of Ontario and owner of a 1998 Harley Dyna Convertible; Mrs. Janet Harris, Harley Enthusiast, Fundraiser, Wife of the Premier of the Province of Ontario; Chief William Hutton, Chief Superintendent, Central Region, The Ontario Provincial Police; Don James, CEO and Vice-Chairman, Fred Deeley Imports; Pat Palmer, Co-Founder, The Cappy Ride (Child Abuse Prevention Fundraiser); Donald Petersen, Proprietor, Heavy Duty Cycles, Harley-Davidson Technical Journalist. Personal ride: 113 cubic inch 200 size rear tire Harley rigid frame; and Chief William McCormack, Director, The Empire Club of Canada, former Chief of the Metropolitan Toronto Police Force and Author.

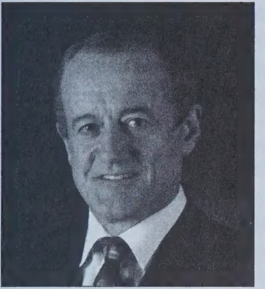
Richard Teerlink

Due to technical problems Richard Teerlink's speech was not available for reproduction here.

The appreciation of the meeting was expressed by Dr. Eric Jackman, President, Invicta Investments Incorporated, Past President, The Empire Club of Canada and Chairman, The Jackman Foundation.



Our grand entrance to the Harley lunch... Gareth Seltzer followed by The Hon. John Snobelin and Harley CEO Richard Teerlink on brand new wheels in Weston Hotel corridors!



April 2, 1998

Dr. Michael Cowpland

President and CEO, Corel Corporation

THE WEB—THE NEXT WAVE?

Chairman: **Gareth S. Seltzer**
President, The Empire Club of Canada

Head Table Guests

Ann Curran, Partner, Lewis Companies Inc. and a Director, The Empire Club of Canada; Rev. Canon Paul Feheley, Rector for St. George's Memorial Church, Oshawa; Christopher Cowperthwaite, Grade 12 Student, Lawrence Park Collegiate Institute; Norm Kirkpatrick, Executive Director, Canadian Advanced Technology Association; Robert Humphrey, Chairman of the Board and CEO, Harry Rosen Inc.; Rod Bryden, Chairman and CEO, World Heart Corporation; James C. Tory, Partner, Tory Tory DesLaurier and Binnington; Patricia Best, Editor, The Globe and Mail Report on Business Magazine; Spencer Lanthier, Chairman and CEO, KPMG Canada; and Julie Hannaford, Partner, Borden & Elliot and Immediate Past President, The Empire Club of Canada.

Introduction by Gareth Seltzer

I don't think it is too difficult to compare the industrial revolution of the 1900s to the technology revolution of the 21st century. There is virtually no business that has not been radically altered by systems innovations whether it is the manner in which advertising is prepared or how production design is determined. And as with all technological leaps there are innovators. Dr. Cowpland is one of those innovators. I was first offered a chance to buy Corel stock in 1989 by an impressive Corel sales representative who was providing my company with desktop publishing hardware and software. At the time Corel and Ventura Publisher were two of the leaders. The Corel we know today is radically different from the Corel of even two years ago, particularly since the acquisition of WordPerfect from Novel.

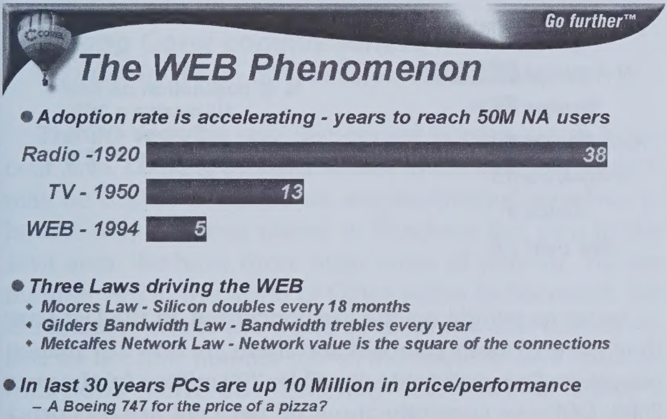
Here are some of the current issues that I'm sure you are all aware of. Microsoft jostles with Corel as the powerhouse in personal productivity in the retail market. Admittedly Corel has lost some of its senior executives in 1997. At the same time Corel Java technology has changed the face of the Internet. And speaking of shares let's not forget that the investment community has frequently priced at extraordinary levels companies that have yet to produce a single thing. So keeping that in mind we may find that Corel is an opportunity well worth looking at. Dr. Cowpland helped form Mitel in 1973 with Terry Matthews and that company was sold later in 1984.

Dr. Cowpland has certainly not short-changed the issue of publicity. His outgoing lifestyle, his fundraising for the Children's Hospital of Eastern Ontario, the Children's Wish Foundation and Carlton University all put him in the news. Now I'm fascinated to know that Dr. Cowpland reached the men's quarter finals in the veteran's division of Wimbledon in 1995 and you hold the black belt in martial arts. Anyway it is a pleasure for us as a club to have somebody as distinguished as you. The Club really welcomes innovators and I would like you to please join me in extending a warm welcome to the present CEO of the second-largest vendor of personal productivity applications in the world—Corel Corporation—Dr. Michael Cowpland.

Michael Cowpland

Thanks very much Gareth and thanks to the Empire Club for this perfect opportunity to share with you our views of what's happening in the world of Windows software and the exciting world of the Web and Java software ahead. It is certainly a very exciting and rapidly changing industry we are in and over the last few years you have seen in the newspapers how we have been going through some turbulent times since the acquisition of WordPerfect.

But we are very pleased with the results recently and we think we are ready for a whole new surge of growth. We think we have tremendous opportunities both in the Windows and the Java area ahead. It's amazing to think that it's 30 years since Marshall McLuhan proclaimed the concept of the "global village" thanks to the medium of radio and television. It is amazing how much foresight he had far before the Web was created. Now we have the interactivity of the Web and are seeing a whole new mechanism of economic wealth creation. People will be able to get things done far more efficiently than ever before.



Go further™

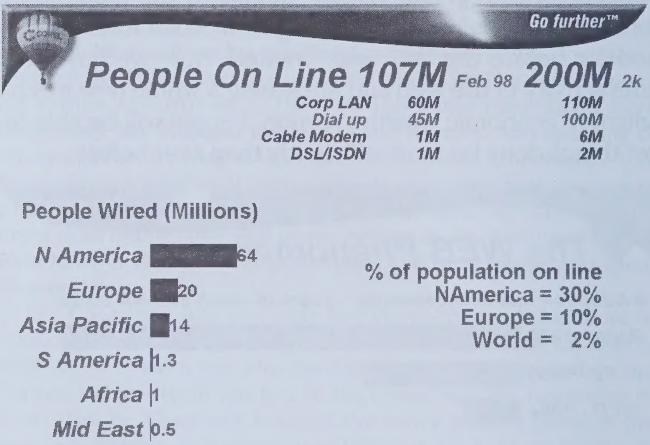
The WEB Phenomenon

- ***Adoption rate is accelerating - years to reach 50M NA users***

Radio -1920	38
TV - 1950	13
WEB - 1994	5

- ***Three Laws driving the WEB***
  - *Moores Law - Silicon doubles every 18 months*
  - *Gilders Bandwidth Law - Bandwidth trebles every year*
  - *Metcalfes Network Law - Network value is the square of the connections*
- ***In last 30 years PCs are up 10 Million in price/performance***
  - *– A Boeing 747 for the price of a pizza?*

This chart shows that to reach 50 million North American users it took radio 38 years, it took TV 13 years and it took the Web only five years. And this incredible momentum is driven by not just one exponential law but three. We've all heard about the Moore's Law which says that silicon doubles in capability every 18 months, but lesser known is the Gilder's Bandwidth Law, where bandwidth is in the process of trebling every year and finally Metcalfe's Network Law which says that the value of the network is the square of the number of connections. As Bill Gates said to me recently: "The productivity of PCs has zoomed amazingly where the price performance has gone up 10 million to one in the last 30 years. If aeroplanes had done the same thing you would be able to buy a Boeing 747 for the price of a pizza." The only problem is it would crash four times a day.



Go further™

People On Line 107M Feb 98 200M 2k

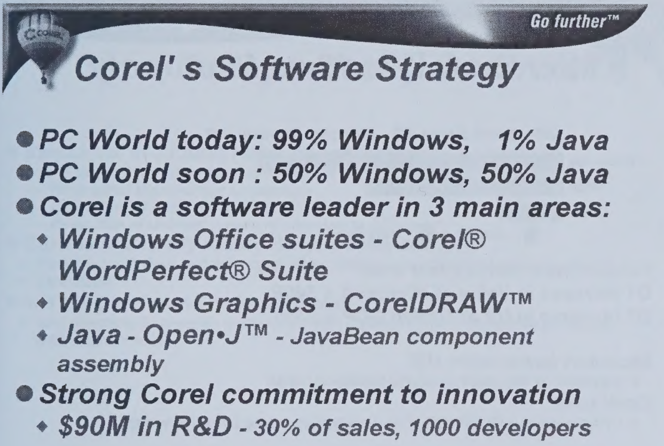
	Feb 98	2k
Corp LAN	60M	110M
Dial up	45M	100M
Cable Modem	1M	6M
DSL/ISDN	1M	2M

People Wired (Millions)

N America	64
Europe	20
Asia Pacific	14
S America	1.3
Africa	1
Mid East	0.5

% of population on line
NAmerica = 30%
Europe = 10%
World = 2%

As far as people on-line are concerned, in the last year they have virtually doubled and there are now 107 million people on-line worldwide. It will be 200 million by the year 2000. Of these currently about 60 per cent are on corporate LAN and about 45 per cent are on dial-up modems. Looking ahead to the year 2000 we are looking at roughly 100 million on the corporate LAN and 100 million on dial-up. This means that software does need to be able to handle the speed of modems in terms of reaching at least 50 per cent of users. North America has the bulk of people wired—about 64 million; Europe 20 million; Asia 14 million; and the rest of the world very little. The percentage of population on-line is 30 per cent in North America, 10 per cent in Europe and 2 per cent in the world as a whole.

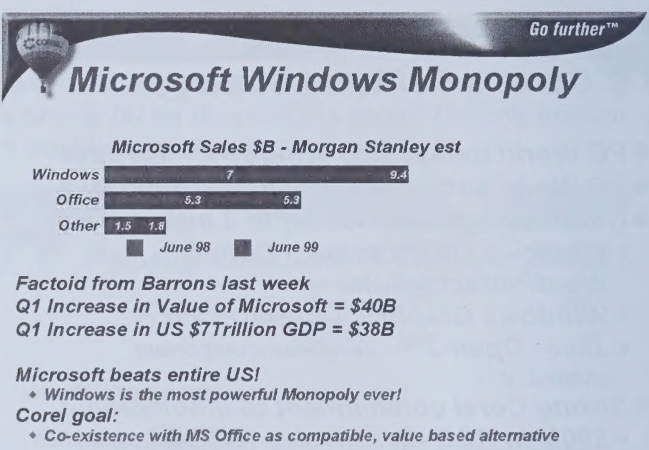


Go further™

Corel' s Software Strategy

- *PC World today: 99% Windows, 1% Java*
- *PC World soon : 50% Windows, 50% Java*
- *Corel is a software leader in 3 main areas:*
  - *Windows Office suites - Corel® WordPerfect® Suite*
  - *Windows Graphics - CorelDRAW™*
  - *Java - Open•J™ - JavaBean component assembly*
- *Strong Corel commitment to innovation*
  - *$90M in R&D - 30% of sales, 1000 developers*

The PC World is now 99-per-cent Windows and 1-per-cent Java. Looking forward we see in the next few years it may be a 50-50 world. So we are positioning ourselves to be not only a strong player in Windows but also in the Java area. We have three main areas of interest. We are number two in the world of Office suites to Microsoft. We are number one in the world in Graphics with CorelDraw and we are now number one in the world of Java communications with our recently announced Open•J component Java software which is now downloadable from our home page. We are spending over US$90 million a year in R&D and two-thirds of our people, 1000 people, are actually in development and we spend 30 per cent of revenue on R&D.



Microsoft Windows Monopoly

Factoid from Barrons last week
Q1 Increase in Value of Microsoft = $40B
Q1 Increase in US $7Trillion GDP = $38B

Microsoft beats entire US!

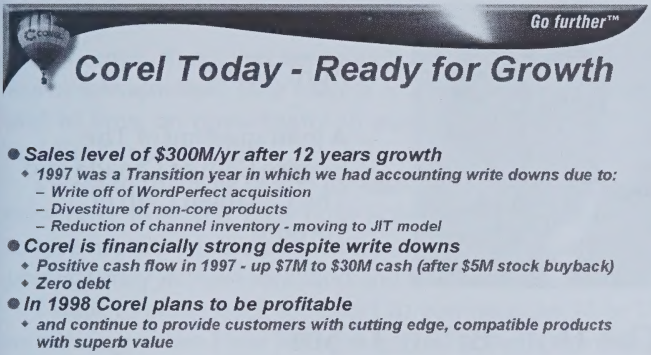
- *Windows is the most powerful Monopoly ever!*

Corel goal:

- *Co-existence with MS Office as compatible, value based alternative*

We believe we are now positioned for a new surge of growth. Microsoft is a pretty formidable competitor and this chart shows just where its revenue comes from. The year ending in June '98: $7 billion came from its sales of Windows and this is probably one of the world's greatest ever monopolies. Try to find a PC without Windows. It is impossible. As far as the Office suite software is concerned, Microsoft gets about $5.3 billion from the Office market. It has the monopoly of Windows. Our goal is to prevent it from having a monopoly in the Office market because one monopoly should be enough for one company. One factor shows how powerful Microsoft is. According to Barrons last week during the first quarter of 1998 the value of Microsoft increased by $40 billion. The GDP of the entire US economy of $7 trillion increased by $38 billion so Microsoft beat the entire USA.

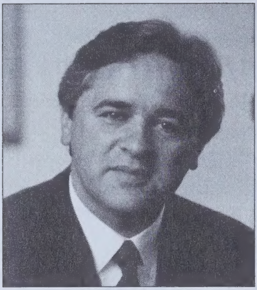
Dr. Cowpland then showed slides of Corel's position today and some of Corel's latest products.



Corel Today - Ready for Growth

- ***Sales level of $300M/yr after 12 years growth***
  - ***1997 was a Transition year in which we had accounting write downs due to:***
    - *Write off of WordPerfect acquisition*
    - *Divestiture of non-core products*
    - *Reduction of channel inventory - moving to JIT model*
- ***Corel is financially strong despite write downs***
  - ***Positive cash flow in 1997 - up $7M to $30M cash (after $5M stock buyback)***
  - ***Zero debt***
- ***In 1998 Corel plans to be profitable***
  - ***and continue to provide customers with cutting edge, compatible products with superb value***

The appreciation of the meeting was expressed by Ann Curran, Partner, Lewis Companies Inc. and a Director, The Empire Club of Canada.



April 7, 1998

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

The Hon. Brian Tobin

Premier, Newfoundland and Labrador and Minister of Intergovernmental Affairs

NEWFOUNDLAND AND LABRADOR TODAY

Chairman: **George L. Cooke**
President-Elect, The Empire Club of Canada

Head Table Guests

Margaret M. Samuel, Portfolio Manager Supervisor, RBC Dominion Securities and a Director, The Empire Club of Canada; Rev. Kim Beard, Rector, Christ Church Brampton and a Director, The Empire Club of Canada; Natasha Whittingham, OAC Student, Eastdale Collegiate Institute; Claudette MacKay-Lassonde, Chairman, President and CEO, Enghouse Systems Limited; Harry Swain, Senior Managing Director, SG Canada; Brian Segal, Publisher, Maclean's Magazine and Vice-President, Rogers Media Inc.; Nalini Stewart, President, The Canadian Club of Toronto; Bruce Galloway, Vice-Chairman, Royal Bank of Canada; and Hershell E. Ezrin, Chairman, GPC Canada and a Director, The Empire Club of Canada.

Introduction by George Cooke

Brian Tobin

Well, George, thank you very much for your very kind and warm introduction. May I say it is a pleasure to be back and to have an opportunity to address the Empire Club and the Canadian Club.

I want to thank all of you for taking the time out of your very busy lives and your busy schedules to be here and to give me a few minutes to talk to you about what is happening today in Newfoundland and Labrador.

I want to come back to report to you because 14 or 15 months ago when I was here you gave me the opportunity to speak to you about the state of play with respect to the Churchill Falls Power Contract. I told you then that we were coming to a time when, if we did not make a change to the Churchill River Power Contract, we would find ourselves in the incredible position of being a province that owned 5,200 megawatts of power (the largest underground hydroelectric site on the continent of North America) but by 2041, Newfoundland and Labrador would have to put up $300 million cash to meet the shortfall arising out of our price contract with the province of Quebec. I said to you that we wanted to have a new arrangement; that we wanted to take on the challenge of taking this problem, intractable as it has been, and to find a resolution. I must say I was very encouraged by the kind of response that I received because it was the first time I had spoken publicly on the subject.

I am coming back to tell you that that response frankly gave us some of the energy, certainly a lot of the determination, to go forward to try to reach beyond our differences—which are profound, long-standing, and historical—with the province of Quebec to find common ground. I am pleased to be back a little more than a year later to say that we found common ground and we have come to a new agreement for the development of the Upper Churchill River system. We have changed our circumstances. We have gone from a position of a $300-million cash deficiency for the operating agency which currently owns the Upper Churchill site to a $5.2-billion gain in dividends as a consequence of the agreements we have come to now with the province of Quebec. At the Upper Churchill we are going to have 1,000 megawatts of new power. Two rivers from Quebec will be diverted into the Smallwood reservoir. One hundred per cent of the cost of that development, $1.3 billion, will be borne by Hydro Quebec, but 60 per cent of the ownership of those 1,000 new megawatts will be Newfoundland and Labrador's and we won't be spending one nickel. It is the kind of business I love to do.

On the Lower Churchill River system with Hydro Quebec, we are going to generate 3,264 megawatts of new power that we have got to get to market. One of the markets we want to get it to is Ontario. To get that power to market will require $3-billion worth of transmission upgrades. Hydro Quebec has agreed to roll that cost into its existing network, to seek a modest rate increase for its current users in the province of Quebec and to take that $3-billion cost off the front end of this project in order to make the project viable. It is a tremendous benefit it brings to the table against the backdrop of the old Churchill Falls contract. I think it brings balance to our relationship. I have to tell you I was slightly disappointed that my friends at the Globe and Mail pointed out this advantage. I mean, it's shocking. Here we are, after 49 years of Confederation getting more than 50 cents on the sale of our power and the Globe and Mail has quickly pointed out that Quebec is subsidising Newfoundland and Labrador on the cost of transmission. I want to tell the Globe and Mail that for the other 49 years, Newfoundland and Labrador has been subsidising Quebec and where have those Globe and Mail editorials been?

This is one area where the Newfoundland and Labrador economy is changing. I raised it first because it is what I talked about last year. It is a part of a message I want to bring to you today. Whatever your thoughts are of Newfoundland and Labrador, whatever your perceptions are of Newfoundland and Labrador, whatever assumptions you have had heretofore about Newfoundland and Labrador, get ready to be reprogrammed. There is a new economy emerging in Newfoundland and Labrador today. The fact that we're able to bring forward a $10-billion proposal for hydroelectric development that will meet 18 per cent of Canada's commitments on the Kyoto Accord for reduction of greenhouse gas emissions is but one development which will drive and change our economy. Developments such as these will fundamentally change our circumstances.

I point to what is happening in the oil and gas sector. I think you're all aware of the spectacle, the drama, of the tremendous offshore monster. It is not like the Loch Ness monster but it is monolithic. It is large; it is powerful. It cannot be ignored. It is called the Hibernia Gravity Base Structure. Today, 230 kilometres off the coast of Newfoundland and Labrador this tremendous feat of engineering design pumps oil in the most difficult and challenging natural environment for offshore oil and gas development on the planet earth—the North Atlantic. This great machine was initially built by putting together the financial instruments of government—a subject, you will recall, of some controversy. Today the site plays host to four of the most productive oil and gas wells in Canada today. It was built on time, on schedule, within budget and the federal government is going to get back every nickel it put into it. As a matter of fact, it is getting back too many nickels. It is the beginning. It is the foundation stone for an oil and gas industry.

What is important is not so much that Hibernia has happened and that it is successful, but that there is a second field now being developed. Hibernia as you know produces 600 million barrels. The estimate of total reserves has already been upgraded by 125 million barrels and it is going to pass a billion before it is all over. But there is a second field following Hibernia called Terra Nova and what makes Terra Nova important is that there are no government instruments involved. There are no pools of government money underlying this project. It is 100-per-cent private-sector financed and that project has now been launched. It is a $4-billion second project in the offshore oil and gas sector. The first contracts have been called and Bull Arm, the industrial site that gave rise to the Hibernia Gravity Base Structure, goes back to work this summer as we begin to put together the pieces to bring a second field, the Terra Nova field, into production in Newfoundland and Labrador.

A third field called White Rose owned by Husky as the primary operator from Western Canada is also getting ready to move to production. This summer will see the largest amount of exploration work that we have ever seen in East Coast Canada offshore, based out of St. John's, Newfoundland. This is a sector that is beginning to grow in a very large fashion. It will rival the state of play in Texas; it will rival the state of play in Alberta; and it will rival the state of play in the North Sea. We need to understand that what is happening is quite dramatic. It is long-term, it is large, it is capital intensive and it will shape to a very large extent the economy of Eastern Canada. It will profoundly change Newfoundland and Labrador and will present an array of opportunities, the likes of which we have not seen before. I want you to think about this. In the North Sea, 100 wells are drilled a year, sustaining the industry that has evolved there. In Newfoundland and Labrador, we have drilled 100 wells since the 1960s; that is all. Since then we have had 22 significant discoveries, a very high success rate. We put the first developments in place and now we are rushing with a fast-paced exploration programme. Even as the price of oil has dipped in the last few weeks and as companies change their investment plans as a consequence, not a dollar has been dropped from the long-term plan for the East coast offshore because it is light crude, it is sweet crude, it is high-value crude. While there were changes in heavy oil and changes in proposals elsewhere, nothing changed up and down the East Cost offshore. This is a sector that will have a profound effect on Newfoundland and Labrador.

A third area that I want to talk about briefly is the whole Voisey's Bay deposit. I know you have all heard of that deposit and about Inco and its challenges to bring that proposal forward. Voisey's Bay is the richest nickel, copper and cobalt deposit today on the planet. There isn't a richer find anywhere. There is an ovoid, simply put, showing 35 million metric tonnes just lying on the surface. It does not require massive engineering and it does not require going underground. It is rich ore that is there to be utilised, to bring forward new wealth. And beyond that, there is upwards of another 200 million tonnes underground. Now we are having some disagreements with Inco about how this ought to proceed. I have to tell you that the fundamentals of that project are so strong, the deposit so rich, that there is no doubt in my mind that the project, representing another $3-billion capital investment, will go forward. We want to see that deal with Inco proceed. We think it can happen and indeed the first meeting in some time has been scheduled for the days ahead.

Oil and gas, Voisey's Bay, Churchill Falls. These are the large resource projects that are beginning to shape our economy but they are not the projects that really excite us. Twenty-odd billion dollars worth of investment—but you do not build an economy just on resource projects. In particular you do not build an economy on projects that have a beginning, a middle and an end. You do not build an economy on a boom-and-bust cycle. You have to reinvent yourself in ways more fundamental than that. The collapse of the fishery in 1992 that you have all heard so much about has compelled us to be innovative, to change the way we see ourselves and then to reach out and change the way that you see us and the way that you interact with us in Newfoundland and Labrador. We understand that we have got to be part of the knowledge-based economy that is developing in this country, in this city, and indeed developing all over the world. And so we have tried to reconstruct a competitive economy in Newfoundland and Labrador.

Part of what I want to share with you today is a report on Newfoundland's competitive position versus the rest of Canada, the U.S., and Europe. A recent study by KPMG produced some interesting results. Newfoundland and Labrador today has low start-up and low operating costs (including land, construction, real estate), a very competitive tax regime, a quality work force, a great location for research and development, an excellent transportation and telecommunications infrastructure, abundant energy at very competitive prices, and a favourable business climate including a reformed environmental assessment process. St. John's and Corner Brook, Newfoundland, two of our cities, offered the lowest operating costs compared to 10 major U.S. cities and nine major Canadian cities in the categories of labour, telecommunications, real estate and utilities. That was a 1996 study ranking cities in Canada and the U.S. and Newfoundland and Labrador emerged as having the most competitive low-cost environment in which to do business.

In 1997, a second firm contracted by the federal Department of Foreign Affairs and International Trade, the Atlantic Canada Opportunities Agency, the Royal Bank of Canada and Ontario Hydro did a second study. That study examined eight location-sensitive factors and eight industry sectors in 42 North American and European cities. At the end of the study, St. John's, Newfoundland, ranked first, with the lowest cost in each of the eight industry sectors examined. Newfoundland and Labrador has the lowest-cost corporate tax rate in Canada and also has some of the lowest corporate tax rates in the world for manufacturers and small business. Five per cent today in the province compared to as high as 17 per cent in other jurisdictions.

When you locate in Newfoundland and Labrador we work hard to earn your investment dollars. We provide something called the EDGE, the Economic Development and Growth Enterprise programme, to ensure that Newfoundland and Labrador is an attractive investment location in North America. With the EDGE programme, we offer substantial tax holidays, 10 years of tax relief, followed by a five-year phase-in period for provincial corporate income tax, post-secondary health and education tax, business and property tax, as well. You can also get a lease of unserviced crown land for a nominal fee. And we provide the full-time services of a facilitator for your project, to walk you through all the challenges and mazes normally associated with the operation of government. In short, we are eliminating, tossing out, shredding and disposing of red tape.

Perhaps the most critical variable in choosing a competitive location is the quality of the work force. Newfoundland and Labrador today has resourceful, well-trained workers and a very positive labour environment. We just settled our public service contracts in the province at 7 per cent over the next three years. In our private-sector labour unions we have just negotiated a new regime and put in place new legislation to keep it effective. We have ended a situation with 15 different private-sector unions negotiating in the construction industry. Indeed, 15 unions were in place with the Hibernia project. They have reformed themselves into one union. In the offshore oil and gas sector, for example, by agreement but also in force by legislation, we have no strike, no lockout, provisions. We have put in place stability with rules that are fair, that are competitive and that are long-term. And I can personally guarantee that our dedicated, stable labour force is highly motivated by one simple yet compelling fact. The fact is that most Newfoundlanders and Labradorians absolutely prefer to live and work in the province and given equal circumstances and equal opportunity to participate in one's discipline will go home to the Rock every time.

Look at me. I was in Ottawa 17 years. There was a job opening and I applied for it in a flash!

And why wouldn't those who have "been away" want to be at home? They have a clean and safe environment, including one of the lowest crime rates in the world. In fact, the latest news from Statistics Canada reports that Newfoundland and Labrador boasts the lowest crime rate in Canada, less than half that of British Columbia. We're surrounded by 17,000 kilometres of spectacular coastline with coves, valleys and icebergs. There are titanic icebergs, whales, gannets, fresh air, and wonderful trails.

Government has also placed a very high priority on the education and the training of our people. The province has the capacity to provide the skilled and educated work force that employers want and indeed employers must have in the global marketplace.

Every single school in Newfoundland and Labrador has been on the Internet since 1996. Every single teacher in Newfoundland and Labrador has an Internet account. And we intend to see through our library system which is also province-wide on the Internet that every single citizen who wants one will have an Internet account.

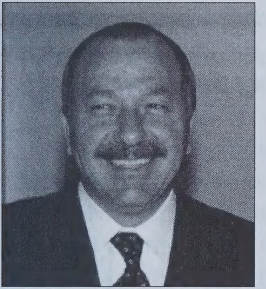
We have an educational sector which is geared up to play in the new economy. Our university, Memorial University, has a number of centres of excellence and I will not go into a description of each of them, but clearly there is a focus on marine communications, ocean engineering, cold water research and a variety of other skills where location gives us a natural edge. In addition we have new skills and knowledge borne of necessity, borne out of the need to ensure that we can maintain contact with those rigs operating offshore, the need to provide quality education for tens of thousands of students spread over a sparsely populated coastline, the need to give medical services and specialty services where appropriate to people who live in rural communities. And all of those needs have produced new skills, new technologies where Newfoundland and Labrador has been able to play a lead role.

Because of the emergence of a new economy, because of the focus on information technology, because of the recognition that you cannot put all of those people who traditionally depended on the fishery back in the fishery, we have had to diversify. We have aggressively pursued the IT sector. We have aggressively gone out and networked and we have come to know the community across this country. We have tried to ensure that the IT sector across this country comes to know us. And we were successful in making a bid to host Softworld '98 this September. Softworld '98 is the key industry networking conference held every year in this country and thus far it looks as if Softworld '98 in Newfoundland and Labrador will be the largest Softworld conference ever. For those of you who are IT-related in your professions I invite you to come and spend some time in Newfoundland and Labrador in the fall of this year. If you come and if you come by virtue of having heard this speech today, I promise that the least I can do for you is invite you to my home for supper. You will never ever regret coming to the Rock.

Let me conclude my remarks today about Newfoundland and Labrador by repeating something that I said the last time I was here. I concluded by saying thank God for Canada. What a great country. What a tremendous land. A country that always pulls together in times of challenge. I had a chance to say to you last year that Newfoundland and Labrador, as it approached the 50th anniversary of its participation in this country as the newest citizen, as the newest member of the family, feels again and again the strongest commitment to Canada and that will always remain unchanged. But what I want to tell you this year, a year later, as the evolution of the province continues, we are drawing closer to the day when we are not only the recipients of the wealth and the generosity of this great country Canada but when we can pay back into the pot; give back to this great country.

So, once again, thank you for inviting me. We are on a roll in Newfoundland and Labrador. The train is leaving. I have a sheet with your name on it and I expect all of you to be aboard. Thank you very much for inviting me today.

The appreciation of the meeting was expressed by Nalini Stewart, President, The Canadian Club of Toronto.



April 9, 1998

A joint meeting of The Empire Club of Canada and The British Canadian Chamber of Trade and Commerce

The Hon. Al Palladini

Minister of Economic Development, Trade and Tourism

ONTARIO—A PROVINCE OF HOPE AND OPPORTUNITY

Chairman: **Robert J. Dechert**
Second Vice-President,
The Empire Club of Canada

Head Table Guests

Deborah Mulford, Director, Multinational and Government Accounts, Amex Canada; David Gaio, Grade 12 Student, Central Technical School; Rev. Douglas Kramer, St. Philips Lutheran Church, Etobicoke; Susan Brissette, Project Services Manager (Canada), British Energy plc.; John Smith, President, British Canadian Chamber of Trade and Commerce and Senior Manager, Global Private Banking, Royal Bank of Canada; Terry Curran, Consul General, Consulate of United Kingdom; Michael Coates, President, Hill & Knowlton Canada Ltd.; and Simone Filogene, Manager, Government Relations, Glaxo Wellcome (Canada) Ltd.

Introduction by Robert Dechert

Al Palladini

Thank you, Bob, for that kind introduction. Ladies and gentlemen, head table guests, it's an honour to join you here today.

Great Britain and Canada have long enjoyed strong ties—ties of family, culture and business. As a matter of fact, the U.K. and Ontario alone do more than $4 billion worth of two-way trade each year. I'm delighted that the British Canadian Chamber of Trade and Commerce has kindly agreed to co-host this luncheon. During my last visit to London, I had the pleasure of meeting with the Canada-U.K. Chamber of Commerce and exchanging some great ideas.

I know that the Empire Club is one of Canada's oldest speakers' forums. And I appreciate that over the years, you've been addressed by more than 2,500 prominent speakers—Canadian and international leaders. In your 95-year history, I wonder if your distinguished members have been addressed by a former car salesman.

You know, I've been asked many times about how difficult it was to change careers from selling cars to being a politician. I must admit, there are a lot of similarities between the two, but one thing I know for sure is that car salesmen get more respect.

As a car salesman, I did a lot of door knocking trying to make a sale. Some people bought and some didn't, but they were always polite and treated me with respect.

As an aspiring politician, I can recall canvassing door-to-door during the election in my riding of York Centre which had been a Liberal riding for the previous three elections. One particular afternoon in Maple, I approached the front door of a house and immediately noticed a sign saying: "BABY SLEEPING—DON'T RING DOORBELL." I quietly knocked on the door and within seconds a woman came to the door. I introduced myself. "Hi, I'm Al Palladini. I'm on the Mike Harris team and I would like your support in the upcoming election." She answered immediately saying: "We're Liberals!" and then slammed the door in my face.

I picked myself up off the ground, somewhat shaken, but still quite determined. At the next house I rang the door bell and waited—but no answer. I rang the door bell again and a woman inside yelled out: "Who is it?" I went through the same routine and before I could finish she yelled out: "We're Liberals!"

I walked away, shaking my head and asked myself what the hell was going to happen next. I proceeded to the next house really feeling paranoid as I knocked on the door. A middle-aged Italian man came to the door and before I could open my mouth he said: "You're Al Palladini, I can't believe you're a Conservative. Are you sure you're Italian?" I said: "Yes of course I'm Italian. Just because Christopher Columbus was a Liberal doesn't mean all Italians are Liberals."

The man looked at me strangely and asked how I knew Christopher Columbus was a Liberal. And so I told him: "When he set sail, he had no idea where he was going. When he got to North America he had no idea where he was and when he returned home he had no idea where he had been. And on top of all that, he did all his travelling on borrowed foreign money! That's how I know he was a Liberal."

Well, the road to success is knowing where you're going—and how you're going to get there. But most important is having the courage to stick it out when the going gets tough.

Like Christopher Columbus, my late father had courage. At the age of 43, he immigrated to Canada from Italy, hoping to make a better life for his wife and four children. And through hard work and sacrifices, we realised the dream of Canada. My father was always reminding me how fortunate we were to live in such a great country full of hope and opportunity, where dreams could be realised through hard work.

I'm proud to say that I have lived that dream and the excitement of making and being responsible for your own decisions. There's nothing like running your own successful business.

That was all very exciting but I've moved on from selling cars. Changing directions, changing jobs, changing focus. Sorry to use an automobile pun, but it's like getting a new lease on life. Although I don't sell cars any more, I still think of myself as a salesman. But now, I sell confidence in Ontario.

I want to share with you the many reasons why Ontario's economy is doing so well.

Let's talk about aerospace, a high-skilled, hi-tech sector that last year earned Canada more than $10 billion, most of it from exports. What most Ontarians don't seem to know is that we alone account for 40 per cent of Canada's aerospace production; and this sector directly employs 23,000 people in this province. When you take away government contracts (most of them military contracts), our aerospace industry outranks the E.C., the U.S. and Japan in commercial sales and exports. Now that's a vital sector and one which this government wants very much to encourage.

The automobile sector is another pillar of our economy. Last year, it employed over 130,000 people and produced almost $80 billion worth of automobiles and parts. This year, the news is even better. Chrysler of Canada recently announced that it will add a third shift to its Brampton plant, adding another 1,000 jobs. After Michigan, Ontario produces more vehicles than any other jurisdiction in North America and is the sixth-largest automobile producer in the world. We can certainly be proud of our automobile industry.

We need to be looking for ways to expand the range of goods and services that we sell internationally, and to diversify the markets that we sell into. That's one of the reasons why, last December, I announced the creation of a new export marketing task force. The task force will help us increase Ontario's profile internationally and identify the export markets that we should focus on. Our objective is to expand Ontario's market share of world imports by half a percentage point. Half a percentage point may not seem like a lot but it would result in as many as 165,000 new jobs for Ontarians.

In January, Premier Harris and 175 Ontario companies went with Team Canada to Latin America. Trade experts predict that Latin American imports will continue to grow by 12 per cent through to the year 2000, making this the fastest-growing export market in the world. During the mission, Ontario companies pulled together more than $177 million in new contracts and agreements.

Team Canada missions are important for our export industry. However, we must follow up and take advantage of those opportunities. That's why I will soon be travelling with a Team Ontario delegation back to Latin America to finalise some of the deals that we began to stitch together a few months ago. In my previous job, I learned that you have to work hard for the customer to close the deal. Follow-up was key. That's what my mission to Latin America will be all about—helping Ontario companies follow up and close the deals.

Speaking of exports, one of our most valuable exports never actually leaves this province. You're probably wondering how it can be an export if it never leaves the province? As our fifth-largest export industry, it generates $6 billion from outside Canada plus more than three-quarters of a billion dollars from the other provinces. My friends, I'm talking about our tourism industry.

Ontario attracts millions of tourists each year. We have some of the best tourist attractions—adventure travel tours, fly-in fishing camps, urban cultural centres second to none and some of the best restaurants, hotels and resorts in the world. Every year, we receive over 100 million tourists in Ontario. That's almost half of all visitors to Canada. Most of our international visitors come from the U.S., the U.K., Germany, France and Japan. The tourism sector directly and indirectly employs about 8 per cent of the province's work force. That adds up to nearly half a million people.

More tourism means more jobs. It's that simple. Together with our industry partners, the Ministry is planning a major kick-off event for tourism week, May 18 to 24, in downtown Toronto. As well, we'll hold a week of special events across the province, including an open house at each Ontario Travel Information Centre to celebrate our new tourism slogan. I'm sure that you're all familiar with our present slogan: "Ontario: Yours to Discover." Our new theme will be: "Ontario: More to Discover." It will remind visitors that our province really is one of the world's best places to visit.

The city of Toronto also happens to be one of the best places in the world to visit, to live and work in. As Canada's largest city and North America's fifth-largest, the strength and vitality of the city of Toronto is crucial to this province and our country. Last year alone, about 80,000 new jobs were created in the GTA. And for two years running, Fortune magazine has sung the praises of the city, naming it in 1996 as the best non-U.S. city in the world in which to do business, and in 1997 as one of the top 10 in North America.

A sure sign that Toronto is taking off is the news that construction of the 50-storey Bay-Adelaide Centre will begin this fall—the first major new office tower in over a decade to be built in the downtown core. In January, The Economist magazine described Toronto's economy as thriving and went on to say that the new Toronto—the megacity—"need not fear for the future."

Toronto and Ontario are booming. Investment is up. Exports are up. Housing starts are up. Inflation is below 2 per cent. And consumer and business confidence are way up.

Current estimates are that Ontario's GDP grew by about 4.5 percent in 1997. And private-sector forecasters expect Ontario's GDP growth rate to outpace the growth projected for any of the G-7 countries. Ontario's job market is booming. Since February of 1997, employment in Ontario has risen by 263,000 jobs. And since our government took office in mid-1995, 350,000 net new jobs have been created in Ontario. That's half of all the new jobs created in Canada in the same time period.

And just this morning, Statistics Canada reported that the unemployment rate in Ontario has fallen to 7.4 per cent, the lowest in almost a decade. Ontario is once again becoming the province of hope and opportunity. The driver of Canada's economy.

Ladies and gentlemen, as we near the 21st century, Toronto and Ontario are poised to excel in the 21st century as business hubs, magnets for investment, exporting economies and first-rate tourism destinations.

One vital part of my job involves selling Ontarians, other Canadians and people around the world on what a terrific province we have and what a smart decision it would be to invest here, do more business here and create more high-skilled jobs here.

I'm sure you have all seen Torontonians sporting those flashy red Roots Canada hats worn by Canada's winter Olympians. I just love seeing people, especially teenagers and children, wearing those hats. For me, those hats seem to shout out: "I love Canada."

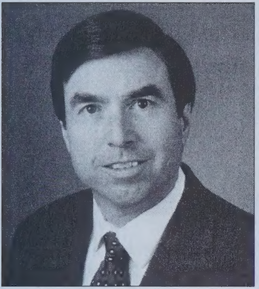
And you know, when we Canadians put our minds to it, we really can be the very best in the world. Well, that's how I feel about Canada, and it's how I feel about Ontario.

In your business dealings here in the province and around the world, I would invite you to join me in doing the equivalent of putting on a Roots Canada hat. Let's celebrate Toronto's and Ontario's successes loud and clear.

Together, we will drive up the job numbers, attract more investment and make Ontario a better place to live.

Thank you very much for your hospitality.

The appreciation of the meeting was expressed by John Smith, President, British Canadian Chamber of Trade & Commerce and Senior Manager, Global Private Banking, Royal Bank of Canada.



April 16, 1998

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

His Excellency, Gordon Giffin

U.S. Ambassador to Canada

THE ROAD TO THE FUTURE: THE U.S.-CANADA RELATIONSHIP

Chairman: **Gareth S. Seltzer**
President, The Empire Club of Canada

Head Table Guests

Anne Libby, Director, The Empire Club of Canada and Owner, Libby's of Toronto Art Gallery; Amy Chan, OAC Student, Harbord Collegiate Institute; The Rt. Rev. Ann Tottenham, Area Bishop, Credit Valley Anglican Church, Diocese of Toronto; Kevin Francis, Chairman, President and CEO, Xerox Canada Inc.; Gregory L. Johnson, Consul General of the United States of America; Helga Stephenson, Chair, Viacom Canada; The Hon. Jim Peterson, M.P., Secretary of State, International Financial Institutions, The Government of Canada; Nalini Stewart, O.Ont., President, The Canadian Club of Toronto; Peter Washburn, Vice-President, Government Relations and International Trade, Nortel; Rick Slomka, Canadian Director, Wine Institute of California; and Jocelyne Côté-O'Hara, Director, The Empire Club of Canada and Telecommunications Consultant.

Introduction by Gareth Seltzer

It is certainly an honour to have Ambassador Giffin with us to day. He is an outstanding statesman, lawyer, professor, negotiator and diplomat. And it would also be fair to say that there has been a number of material issues between the United States, such as the lumber and West Coast salmon disputes, the current concern regarding Canadian entry into the United States that demand, I am sure, all of these talents.

But underlying the many issues that must be dealt with by America's senior representative to Canada is one extraordinary characteristic. We continue to enjoy one of the most outstanding inter-nation relationships in modern history. Ambassador Giffin has developed a reputation as a progressive U.S. representative. I like to say that a Liberal always gives very careful consideration to both sides of the same side. The interdependence of our economies demands a progressive relationship. At the same time there are sensitivities that must be considered given the vast size of the U.S. economy versus that of Canada. Victor Borge said that the only difference between a violin and a viola is that a viola burns longer. Similarly, both Canada and the United States must continue to recognise that regardless of capitalisation, each depends on the same fundamental economic principles.

The Ambassador was raised in Montreal, which accounts for his reputed worshipping of the Habs, and in Toronto. He has served in so many capacities it is, I think, simply fair to say that he has a very impressive CV, which includes his listing as one of the 100 most influential people in Georgia and Past Chairman of the 1992 and 1996 Clinton/Gore campaigns in that state. I return to the issue of hockey. A fanatical hockey fan, the Ambassador probably did not feel safe leaving Ottawa until the Senators clinched their play-off spot.

Ladies and gentleman, please join me in providing a warm welcome to the Ambassador to the United States of America, Gordon Giffin.

Gordon Giffin

Thank you Gareth for that generous introduction. It is not necessarily well-deserved but it is much appreciated.

Thank you also to the Empire Club, to Nalini Stewart and the Canadian Club for the invitation to join you today and to share with you some of my thoughts about the present and future of the United States-Canada relationship.

What a thrill it is to be in the Royal York Hotel and have a group of credible, respectable people from the Toronto area here to listen to me on any subject. On December 29, 1963, roughly 35 years ago, my parents and I arrived in

Toronto and checked into this hotel prior to moving into our home at 15 Blair Athol Crescent, Etobicoke. Several days later I entered Richview Collegiate from which I graduated in June, 1967. In many respects this is my home town.

In the summers I worked about three blocks from here in a book bindery warehouse, as well as at the Ex in the food building. I attended the Mariposa Folk Festival on the Island, went to coffee houses in Yorkville and sat in traffic on Yonge Street on July 1, 1967 celebrating the birthday of a nation. I went to more Argos games than I can count. I remember when Jackie Parker finished his career as an Argo and Joe Theisman began his. My dad went to work every day a three-minute walk from here on University Avenue. I went to my high school prom at Casa Loma and I will never forget catching a punt in a driving snow storm in the city finals high school football championship. What a thrill it is to be here today!

In almost every respect, the relationship between Canada and the United States is virtually unique in the sphere of relations between sovereign nations.

In most diplomatic relationships, discussions are first couched in a ritualistic exchange of half-sincere courtesies and assertions of mutual respect, before getting down to the hard business of talking about deep differences of opinion. U.S.-Canadian discussions, however, usually begin with a ritualistic exchange of complaints and frustrations before getting down to the hard business of recognising our common interests.

Maybe it's our sheer proximity, with its famous 5,500 mile unguarded border. Maybe it's our tangled histories. Maybe it's a product of Canadians visiting Florida or Americans skiing at Whistler. Maybe it's the impact of the ubiquitous presence here of American-owned media with their ubiquitous Canadian-born journalists and entertainers. Or maybe it's the expansion of the NHL to places like North Carolina, Tennessee and Florida. Whatever the reason, our relationship is unlike that between any other two sovereign nations anywhere, anytime.

In my remarks today, I hope to give brief insight into the current state of our bilateral relationship, and then describe how we can enhance this already great dynamic if both countries can get beyond some of the historic bilateral debates and focus on our common ground in addressing challenges we face around the world, together.

Any objective review of the facts shows that the U.S.-Canada relationship is thriving, not just as a relative matter when compared to the recent past, but in absolute, and often unprecedented terms. In fact, I submit that the relationship is a true model for international relations in the 21st century.

Our economic relationship, always strong, is now staggering in its size and recent growth.

The Free Trade Agreement and NAFTA have produced a commercial relationship that is unlike any bilateral arrangement in the history of the world. Canadian exports to the U.S. have more than doubled, and now represent one-fourth of Canada's national output, providing jobs for well over two million Canadians. U.S. exports to Canada are up by 50 per cent under NAFTA alone. Canadian investment in the U.S. since the FTA has more than doubled, while U.S. investment in Canada has gone up 80 per cent. These figures are all the more remarkable when you remember that both countries suffered from a severe recession in the intervening years.

The U.S. trades more with the province of Ontario than with all of Mexico or all of Germany—and about as much as with Japan. In 1997 Canada's trade with my home state of Georgia approximated C$4 billion. That is more than Canada exports to all of China. It is widely assumed that in the early 1990s East Asia was a fantastic growth market for everyone including Canada. In fact Canada's exports across the Pacific constitute only about one-ninth of its exports to the United States. Moreover, in the first three years of NAFTA, Canada's exports to the U.S. grew by 47 per cent—faster than Canada's exports to Mexico or to the European Union.

In 1997 U.S. merchandise exports to Canada grew by 17.9 per cent. That increase exceeds our total trade with Australia. Michigan alone exported $20 billion to Canada in 1997, more than total U.S. exports to France. United States trade with Canada exceeds U.S. trade with all of the European Union and two-way trade across our common border has now reached $1 billion per day.

While we talk a lot about trade successes, our commonalties extend to a myriad of other areas. Both the U.S. and Canada have undergone major restructuring of both the public and private sectors with both countries overcoming virtual despair about chronic budget deficits to make major strides towards fiscal discipline, without sacrificing key government services. Indeed, the Chrétien and Clinton administrations have both pursued a "cut-and-invest" strategy of deficit reduction—reducing the drag of deficit financing on the national economy, while pursuing those strategic investments that increase the total size of the pie. They now face the almost unimaginable problem of determining priorities for spending a budget surplus.

And despite concerns on both sides of the border from sectors forced to adjust, the U.S. and Canada remain firmly committed to bilateral trade and trade liberalisation in key regions and sectors around the world, including the Free Trade Area of the Americas. Both countries have taken leadership roles in APEC, and both countries are in the forefront of efforts to ensure that the recent financial crisis in Asia neither infects the global economy nor undermines the market disciplines necessary to avoid similar crises in the future.

There are, of course, continuing areas of disagreement and irresolution on the economic front. They are so perennial, in fact, that they have been usefully memorialised in the phrases: "Wheat and meat, hogs and logs, spuds and suds." Very few words rhyme with "salmon," so that problem must stand alone. But it is important to remember that these areas of dispute represent at most 5 per cent of the trade between Canada and the United States.

Many such issues have been successfully resolved in the past and I predict these will follow suit. For example, we are making renewed efforts to solve the Pacific salmon dispute as a result of the special work of William Ruckelshaus and Dr. David Strangeway to identify a new approach. New negotiators have been named by both sides and the new process began two weeks ago in Washington.

On foreign policy issues, areas of continued U.S.-Canadian agreement and co-operation far outweigh the few well-known differences. The alphabet soup of key international alliances in which both countries play a leading and harmonious role is truly striking: NATO, the G-7, OECD, OSCE, ASEAN, APEC, OAS, and UN, just to name a few. Canada-U.S. collaboration in Haiti and in Bosnia and most recently with respect to our mutual concerns in Iraq show how effectively we co-ordinate in defence of democratic principles around the world.

There are, of course, two much-publicised areas where we differ in our approaches to foreign policy issues, notably in Cuba and in the recently negotiated anti-personnel landmine convention. But even there, we share the same goals, even if we differ on how to achieve them. Suffice it to say that President Clinton has repeatedly praised Canada's efforts in bringing together the world in condemning the use of anti-personnel landmines. I hope that Canadians are willing to acknowledge, if not praise, America's willingness to actually remove landmines. This year we will spend in excess of $80 million—nearly as much as the rest of the world combined—in demining operations in 20 countries. Same goal, different paths.

I know many Canadians believe that U.S. policy towards Cuba represents an effort to dictate other countries' foreign policies, for reasons of U.S. domestic politics. I would ask you to keep in mind not only that Cuba is 90 miles off the coast of Florida—not much further than Newfoundland is from Nova Scotia—but that for most Americans my age and older, Cuba has represented the hard and ever-present edge of the Soviet threat throughout our lifetimes exporting revolution and terrorism in the southern part of this hemisphere—the near cause of a nuclear attack on our cities and the sole, stubborn obstacle to a hemisphere committed to both political and economic freedom.

Defence co-operation between Canada and the United States is illustrated by the peacekeeping operations I cited earlier and by our continued joint commitment to the defence of North America through NORAD and to security on the European continent through NATO. But here we must remain vigilant in order to avoid an important divergence in policies.

We all hunger to reap the "peace dividend" from the success of our Cold War policies, to which both the U.S. and Canada contributed both treasure and blood. There is no doubt that the threat to our security has changed, but it has not disappeared. The spectre of international terrorism and the proliferation of weapons of mass destruction have replaced the old Cold War threats. While the U.S. has adjusted to the changing strategic landscape through downsizing and a review of missions and force structures, Canada is facing the potential of a real erosion of its key military capabilities.

Make no mistake; the United States will continue its historic willingness to bear an appropriate share of the burden of defending this continent from new emerging threats. However Canada must maintain its willingness to contribute in a meaningful way or the notion of joint and common defence that has secured our continent for generations will have little meaning. President Clinton, in speaking to your House of Commons in 1995, captured the essence of our continued joint responsibilities in this complex world by saying: "There are those in both our nations who say we can no longer afford to, and perhaps we no longer even need to exercise our leadership in the world. And when so many of our people are having their own problems, it is easy to listen to that assertion. But it is wrong."

Today, we face new threats to human security in the form of international crime that transcends our borders and our traditional concept of threat. The threats we face, on both sides of the border, are common—drugs, smuggling, organised crime, and the growing incidence and international scope of white-collar crime. In recent years, the activities of transnational criminal organisations and drug traffickers have grown more extensive and complex. These types of crimes span the limits of our border and require a concerted and joint approach by both U.S. and Canadian law enforcement agencies. We are working together in new and innovative ways to ensure that criminals who do not respect the border also do not hide behind it in furtherance of their parasitic goals.

Energy trade, in my judgment, is the next market area that will experience substantial growth. Canadian energy exports to the U.S. are by any standard booming—more than tripling since 1985, with equally dramatic growth predicted for the immediate future. Already, Canadian natural gas represents 13 per cent of total U.S. consumption. Credible estimates indicate that demand for natural gas in the U.S. will increase by at least a third by 2010. With deregulation of natural gas virtually completed on both sides of the border, and new Canadian pipeline construction in the east and west in the offing, the U.S. thirst for low-cost Canadian gas in the lower 48 is unlikely to be quenched any time soon.

Of equal importance, the restructuring of the U.S. electric utility industry has opened enormous opportunities for Canadian producers. Alberta-based TransAlta Enterprises, along with subsidiaries of both BC-Hydro and Hydro-Quebec have already received licences to market electricity in the U.S. Given Canada's enormous energy resources, further integration of energy on this continent cannot help but benefit North American investors and consumers alike. Furthermore, the continued development of a transparent energy infrastructure on this continent only serves to enhance our security interests.

Then there is the immensely complex issue of U.S.-Canadian cultural concerns. Unlike virtually every other issue on the table, this is an exclusively Canadian concern, based on a fear of U.S. indifference to Canadian cultural uniqueness, and U.S. domination of North American cultural media. I suggest that what many Canadians perceive as U.S. indifference to the distinctive identity of Canadians actually represents a total acceptance of Canada, based on personal experience. Millions of Americans travel to Canada every year; millions more encounter Canadians visiting the United States.

Believe it or not, many if not most Americans who listen carefully to Peter Jennings on ABC News each evening know he is Canadian-born. Millions of Americans know that Celine Dion is Canadian; they exhilarated in her remarkable rendition of the theme song launching the Centennial Olympic Games in Atlanta, never once wondering why Whitney Houston didn't do it. Millions of Americans lionise Wayne Gretzky, who is as Canadian as a bottle of "Blue." And if America's leadership possessed any disdain or suspicion of Canadians, I doubt they would have quickly confirmed as their Ambassador to Ottawa someone who is proud to have been raised in Canada, and quick to claim this country as his "second home."

I strongly believe the policy makers of both countries should step back and take a hint from the relaxed and casual interaction of real people, of Americans and Canadians in everyday life. Despite the unfortunate circumstances involved, I was personally warmed this winter by the many touching communications our Embassy received expressing thanks for public and private U.S. assistance during the ice storm and power crisis in the East. Some areas of Montreal actually had more utility trucks from Vermont, New York and New Hampshire working than from Quebec. Canadians have often provided the same immediate and unselfish mutual aid in the past, including recent occasions in the West with floods across the border. During such emergencies, no one stops to ask about nationality or payment; we all just respond. While not a natural disaster, I must add that I will never forget the fluttering of Maple Leaf flags on homes and buildings across the States in 1979, when Canadian Ambassador to Iran, Ken Taylor, put his life and Canada's prestige on the line to rescue U.S. diplomats in Iran.

Winston Churchill, referring to our border in 1939 described it as "that long frontier from the Atlantic to the Pacific oceans, guarded only by neighbourly respect and honourable obligations—an example to every country and a pattern for the future of the world."

I hope you agree that in looking at the bilateral relationship between Canada and the United States, the glass is far more than half full—that both countries profit far more than they invest, and benefit far more than they put at risk.

But there's a new message I want to leave with you today. I submit that Canadians and Americans should take a different look at our relationship, based not on what we do with each other, but on the road we travel together in the world of the twenty-first century. We must enter into a new era of our relationship in order to respond to the realities of our rapidly changing world.

To borrow an observation from C.S. Lewis, there are two basic types of close personal relationships. In a two-way relationship, people look at each other. In a partnership, they look in the same direction—together.

When two people who are close to each other, look at each other, their differences and imperfections tend to stand out, even if they are far less dramatic than their similarities. That's the way Canadians and Americans have looked at each other over the years quick to note every feature that established their own distinct identities, and quick to spot blemishes in the familiar mirror image.

But when Canadians and Americans have been partners—in war, in diplomacy, in humanitarian efforts, and in facing common civil emergencies—they have looked at the world through the same lens. As we enter the new millennium, we must dust off that common lens and use it more frequently.

At a time when the world presses in on all of us through global media and through global commerce, at a time when goods, services, ideas and images move from one end of the world to another at an incredible and unstoppable pace, it's time for Canadians and Americans to spend less time on bilateral irritants and look at the world together more often.

For when we do, we look at the world through a shared perspective and share the same basic values and interests. If you look at the world, it radically changes the way you look at the traditional elements of the Canada-U.S. relationship.

Our commercial relationship looks great if you look at it solely in terms of the benefits each country has gained in expanded two-way trade and investment, even in light of the irritations of sectors subject to bilateral disputes. But it looks even better if you view free trade between the U.S. and Canada as a platform from which both countries are well positioned to benefit as barriers to trade are gradually brought down in this hemisphere, in Asia, and in other emerging markets.

Both our countries have strong competitive advantages in technology, in services, in agricultural commodities, and in key manufacturing and energy sectors. Both our countries look to natural markets to our west and to our south. And both our countries share a fundamental challenge in proving that we can take advantage of economic and technological change while expanding the winner's circle of citizens prepared through quality education and training to share in the benefits. We walk the same road to the future.

Our diplomatic relationship is sound, despite the occasional differences of opinion on items like landmine treaties and how to help Cuba evolve towards freedom. But it looks even better if you view Canadian and U.S. foreign policies as complementary efforts to achieve the same goals of a world made more prosperous and peaceful by common values. Canada has galvanised the world's conscience to reduce the threat to humanity posed by antipersonnel landmines but the U.S. has devoted more resources to actually eliminating mines than any other country. I believe that events in Cuba will demonstrate that it is possible to vindicate both the U.S. determination to oppose the last vestiges of Communist tyranny and the Canadian determination to promote change through engagement and dialogue. We walk the same road to the future.

Our defence relationship is strong, even if Canadians think the U.S. is too slow to adjust to the end of the Cold War, while Americans think Canada is too quick to declare the world safe for freedom and democracy. But it looks even stronger the more policy makers in both countries focus together on the new and insidious threats posed by terrorism, biological and chemical weapons, and rogue states. We walk the same road to the future.

Our environmental relationship has achieved unparalleled accomplishments in reducing past environmental damage to our common waters and in reducing current threats to our common air. Together, we are actively reviewing the recommendations of the historic International Joint Commission on future environmental challenges of the 21st century. But it looks even better if you recognise that Canada and the United States are together ushering in a new global era of environmental protection based on harnessing market forces, creating new pollution control technologies, and reconciling the often conflicting goals of environmental stewardship and economic growth. We walk the same road to the future.

Our energy relationship is expanding rapidly as consumers on both sides of the border benefit from access to new and less expensive sources of electricity, natural gas and oil. But it looks even better if you understand that both countries are experimenting with a fundamental restructuring of energy industries that can bring reliable supplies, affordable costs, and diversification into balance in a seamless transboundary energy grid, in effect for the first time anywhere. We walk the same road to the future.

In every area, we are good neighbours, but we are even better partners. That, I submit, is the best possible foundation for a future relationship. We cannot help being neighbours, and this geographic compulsion naturally feeds fears of a loss of full self-determination. But we have, can, and should choose to be partners, in efforts that preserve each country's unique character, even as it reflects our common values. Over three decades ago, John F. Kennedy described it best when he said: "Geography has made us neighbours; history has made us friends. Economics has made us partners. And necessity has made us allies. Those whom nature hath so joined together, let no man put asunder."

And after all, if we look not just at each other, but at the whole world, we do have much in common to distinguish us from virtually everyone else.

We share an inherently global bicoastal society stretching from one ocean looking towards Europe, and another looking towards Asia.

We share an intense attachment to ancient European values and customs, and an equally intense awareness of how immigrants from every corner of the world enrich our continent's traditions. As Prime Minister Diefenbaker stated: "Our peoples are North Americans. We are the children of our geography, products of the same hopes, faith and dreams."

We share a pioneer ethic etched deep into our national characters, where the struggle to wring a living from nature is forever balanced against the visceral appreciation of nature's beauty and bounty.

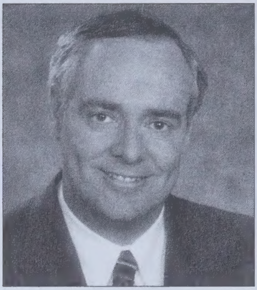
We share a commitment to build unity from diversity, to maintain a national identity while respecting regional differences.

Acknowledging what we share should in no way threaten either country's distinct character or political, economic, or cultural independence. The separate paths to the future that each nation freely chooses need not converge but they are inevitably parallel paths in the same direction towards the same destination—a world in which the citizens of both our countries are free to send forth their goods and their services, their ideas and their innovations, their poems and their songs, to the far horizons, for the betterment of the planet and its people.

Let me end by quoting President Clinton in his 1995 address to the Canadian Parliament: "Canada and the United States have shown the best there is in partnerships between nations, all the great potential that waits all free people of the Earth if they can join in common cause."

As good neighbours—and as committed partners—let's turn our eyes together to the future.

The appreciation of the meeting was expressed by Nalini Stewart, President, The Canadian Club of Toronto.



April 23, 1998

The Hon. Perrin Beatty

President and CEO, Canadian Broadcasting Corporation

THE BENEFITS OF YOUR INVESTMENT IN THE CBC

Chairman: **Gareth S. Seltzer**
President, The Empire Club of Canada

Head Table Guests

Bill Laidlaw, Third Vice-President, The Empire Club of Canada and Director, Government Relations, Glaxo Wellcome; The Rev. Dr. John Niles, Minister, Victoria Park United Church, Scarborough; Dimitra Psomopoulos, Grade 12 Student, Riverdale Collegiate Institute; Richard O'Hagan, Director of the Board, Canadian Broadcasting Corporation; Michael Coates, President, Hill & Knowlton; The Hon. J. Trevor Eyton, Member of the Senate of Canada and Senior Group Chairman, EdperBrascan Corporation; Faheem Hasnain, Vice-President, Commercial Operations, Glaxo Wellcome; James Sward, President and CEO, Global Television Network, Canwest Global System; and David Edmison, Past President, The Empire Club of Canada and Director, Martin Lucas & Seagram.

Introduction by Gareth Seltzer

In my usual introductory remarks, I spend a few minutes outlining the organisation that our speaker represents and why we are fortunate that our guest has accepted our invitation to address us. After having reflected on Mr. Beatty's accomplishments, I thought that it may be more appropriate to focus on our guest, and the skills and experience that Mr. Beatty brings to the Canadian Broadcasting Corporation.

Mr. Beatty was educated here in Toronto and at the University of Western Ontario and at the age of 22 was elected to Parliament. At 29, he became the youngest cabinet minister in Canadian history. I used to be proud of myself for being the youngest ever President of the Empire Club. In addition to serving as Secretary of State under Joe Clark, Mr. Beatty held six other portfolios including Minister of National Revenue, Solicitor General, Minister of National Defence, Minister of Health, Minister of Communications and Minister of External Affairs. Not content in making the rest of us feel wholly inadequate, Mr. Beatty has always played an active role in communications, public policy and broadcasting. In fact, he wrote a weekly column for The Toronto Sun—a good conservative paper—on government and politics.

If one now looks at the mission of the CBC, "to provide radio and television services throughout Canada," it is clear that an individual with Mr. Beatty's experience lends himself well to the role of chief executive of Canada's national broadcasting organisation. The CBC has one of the world's most complex and sophisticated broadcast technologies. Some of the 1400 transmission systems are located so remotely that they can only be accessed by Skidoo or helicopter. Through two core national television networks, four radio networks, two specialty channels, and radio services for remote English, French and aboriginal peoples, the CBC is moving towards a new financial environment where the corporation will still receive some $800 million in public taxpayer support per annum.

Notwithstanding the concerns over public funding, people and debt management, the newly awarded FM frequency and other issues which are part of the day-to-day business of the CBC, we look to Mr. Beatty to provide us—and the television and radio audience—with a picture of what the corporation will look like in the future and the challenges ahead. Please join me in a warm welcome to The Honourable Perrin Beatty, President and CEO of the Canadian Broadcasting Corporation and Societe Radio-Canada.

Perrin Beatty

Like thirty million other Canadians, everyone in this room is a shareholder in the CBC. Every Canadian has the right to judge our return on investment, to assess the increase in shareholder value and to hold us to account.

How do you measure an organisation like the CBC? The comprehensive audits by which public-sector institutions are often assessed have three components: financial; compliance; and value for money. The value-for-money aspect, specifically, focuses on whether resources are managed economically and efficiently and whether operations are carried out effectively. The CBC can and should be judged on all those standards—financial and non-financial.

My report to you today as citizens and shareholders is quite simple. Three years ago, the CBC was in a state of chaos. But out of chaos has come progress, out of conflict has come direction, out of crisis has come discipline and out of hard times has come stability of funding and clarity of purpose.

Plenty of people were ready to throw in the towel on the CBC three years ago. They thought the financial imperatives could never be squared with our cultural aspirations. There were those who claimed the CBC would die of inflated bureaucracy and others who thought it would die from massive cutbacks and a lack of vision. Both camps were completely wrong. You can't have a wake without a corpse and the CBC that today broadcasts record amounts of Canadian programming is alive and well.

It is true that the past 36 months since I came to the CBC have been turbulent. A planned government cut to the Corporation's budget was both confirmed and deepened. Coupled with other cost increases and revenue impacts, it meant that the financial challenge to be met more than doubled to over $400 million per year.

New channels, open borders, copyright reform, industry convergence and audience fragmentation have dramatically altered our perspective and challenges. Unprecedented labour negotiations posed an ominous threat to our ability even to stay on air. Technology has unleashed a multi-channel and multi-media universe.

The CBC met the challenges head on. We undertook a massive corporate turnaround. We slashed spending by the largest amount in our history. We reduced administrative and managerial personnel to the point of matching and bettering private-sector benchmarks. We gave creative control to people who actually produce the programmes and imposed financial accountability on everyone. We simplified and streamlined the CBC from top to bottom. It is a very different Corporation from the way it was in the past.

All too often, when institutions are confronted with major challenges, services are cut, but the head office remains untouched. I felt it was important that we lead by example, starting at the top and at the centre before we touched our programmes.

In the past 36 months, the CBC has cut its annual expenditures by more than $400 million, and we did it without closing any stations. In fact, we went back into Alberta where we had consolidated our supperhour newscasts a few years before and re-established separate programmes in Calgary and Edmonton.

While we didn't close any stations, here is what we did do:

- First, I reduced the number of Vice-Presidents by almost half and headquarters staff by about 60 per cent. Throughout the CBC, we have eliminated more than 3,000 staff positions.
- We sold off the head office building and consolidated its staff into our existing production facilities in Ottawa, connecting head office with the reason for our existence.
- We reached new collective agreements that modernise our work practices.
- We reduced corporate management costs to the point where they are now just over one cent on the dollar.

And what is the financial picture today? When we made our reductions, the government provided funding to meet some of our one-time downsizing costs and lent us a further $50 million to cover the rest. We negotiated a 14-year repayment schedule. Today, I am able to announce that the CBC has repaid that $50-million loan 12 years ahead of schedule. Additionally, we have deliberately managed our finances this past year in a way that will allow us to reinvest in programmes and services for our audiences.

There is other good news as well. On the first of this month, we began a five-year period for which the government has guaranteed stable funding. Taken together, these facts mean that we have now emerged successfully from a long dark tunnel that only a short time ago appeared to have no end.

Producing these results was not an easy academic exercise. It was a painful real life experience. I am particularly grateful to the managers and staff of the CBC because they not only met every financial target set for them, but they did so while providing Canadians with substantially improved value for money. Thanks to the dedication of our employees and the commitment of our unions to seeing the Corporation survive, we have been able to reach new collective agreements with all our talent unions and seven of our eight traditional unions without having to endure a strike that could have caused us to go off the air. We have been working to reach agreement with the eighth on terms comparable to those agreed to by the other seven.

Our employees have surprised the critics and may even have surprised themselves. They have introduced new programmes, new services and new technologies to serve Canadians better at the same time as facing up to the huge financial restructuring.

New programmes?

Well, we have Canadianised English TV prime time. That has meant replacing 200 hours of American shows a year.

Francophone Newfoundlanders now have a supperhour news programme based in Atlantic Canada, instead of getting their supperhour news from Montreal.

Radio One now provides listeners with the best in the world 24 hours a day.

New services?

We're opening a new radio station in Victoria, and new pocket bureaus in London, Trois-Rivières and Sherbrooke, and additional services in Kapuskasing, Hawkesbury and on the Arctic Circle in Cambridge Bay.

Alone or in partnership with others, we are applying for six new specialty channels that will allow us to serve TV audiences in new ways.

And just this Sunday, 20,000 people took part in our Open House as we moved our Radio One service here in Toronto to FM. CBC is now readily available to the 50 per cent of the Toronto radio audience who never flip to the AM dial. Earlier this year, we did the same thing in Montreal for both English Radio and French Radio.

New technologies?

The CBC is leading the industry in preparing for digital radio and TV. We have both the content and the expertise to benefit from these new technologies.

CBC Radio became the world's first public broadcaster to offer programmes live on the Internet.

For its part, Newsworld launched the first Canadian news service with full motion video on the Internet. RDI provides a similar service for francophones here and around the world.

We are the only Canadian broadcaster with a major presence on the World-Wide Web. We are already doing much more than simply distributing the spillover from our broadcast services. We are developing uniquely designed programming for the web. As an example, for the last several months, our French services have maintained an Infoculture site, which uses this new technology to bring cultural news and activities from across the country to francophones.

I can inform you today that we will launch a similar site in English in June, which will allow us to strengthen our partnership with Canada's cultural community. This will be Canada's most extensive on-line culture magazine, an up-to-date resource for arts and cultural news from across the country and around the world. It demonstrates how the Corporation is embracing new technology to serve Canadians in new and innovative ways.

All of these programming, service and technological improvements are buttressed by both subjective and objective tests of value for money.

Last month, the CBC won more than three times as many Geminis as our closest competitors. French television has also recorded continuing successes at the Gémeaux. We brought home an international Emmy from New York. And I leave tonight for Montreux, where we will receive an honorary Golden Rose recognising the ongoing quality of CBC programmes as the festival's leading first-prize winner from among all the broadcasters in the world.

Last season, despite the cuts and increased competition, ratings were up for both television and radio in both French and English. We intend to extend both the reach and the share of our services.

And what better value for money could there have been than opening a new radio station during this year's ice storm to meet the needs of those locked in darkness on Quebec's South Shore? While the ice storm lasted, French Radio used our new FM frequency in Montreal to put a temporary service into the Black Triangle.

I am not claiming perfection for the revitalised CBC, but I am claiming solid examples of genuine value when compared even to the big boys operating from New York and Los Angeles.

This February, our services broadcasted over 600 hours of the Nagano Winter Olympics, compared to 135 hours broadcasted by CBS—and we did so with fewer than one-third of the people. Our ratings were up over 20 per cent. Theirs were down substantially. And, contrary to predictions, it didn't cost the taxpayers a cent. We covered all of our direct costs and generated several million dollars to put back into the operation.

Major dailies in Detroit, Buffalo, Seattle, Houston, Sacramento and New York all wrote that CBC came out with the gold medal for coverage. The International Olympic Committee recognised the quality of our work in Atlanta and Nagano last month when it awarded us the rights for the next five Olympic Games. That is quite some distance to have travelled for a corporation many believed to be on its last legs just a couple of years earlier.

The CBC is, quite simply, healthier, more efficient, more flexible and better received by the public. And the guarantee of five-year stable funding means that, for the first time in a decade and a half, we can plan based on our opportunities, and not on our limitations.

These are all significant steps forward. They meet the first two tests of any comprehensive audit: financial responsibility and value for money. That leaves the third measure of corporate accountability: compliance.

For the private sector, compliance means following laws and regulations. For the CBC, however, meeting the tests of public policy and wishes of the public are not just regulatory requirements. They are our raison d'être. The CBC's mandate is not profit. Its mission is not a higher stock price. The CBC's role is to serve Canadians.

When we were one of only one or two services in each community, part of our mission was to make sure Canadians had access to American programmes. In 1998, that role is not only unnecessary, it is irrelevant and financially irresponsible. Canadians do not subsidise the CBC in order to have it be a carbon copy of CTV or Global.

Seventy years ago this year, the Aird Royal Commission on Canada's broadcasting system found unanimity on one fundamental question—that Canadians want Canadian broadcasting.

These words underlie the purpose of the CBC now and as far into the future as we can imagine. To be resolutely Canadian. To provide a home for Canadian voices. To display Canadian images. To be a Canadian meeting place. To guarantee the flourishing of Canadian expression, Canadian diversity, Canadian content, Canadian culture and Canadian identity.

What identifies the CBC is its Canadian programmes. Anyone can offer programming but only the CBC has Canadian programming as its mission and its mantra.

As a public broadcaster, we have special responsibilities. If private-sector television stations were required to drop their American programming in prime time, they would go out of business. It can cost 10 times as much to produce a Canadian drama as to import an hour of American television. There is nothing inherently good or bad about that. It is, however, a large part of why the CBC exists.

If French-language radio stations with razor-thin profits had to finance serious radio journalism, they would also go out of business. That, too, is a real reason why the CBC exists.

The CBC can and must accept the challenges of broadcasting programming that others cannot put on. We can and must offer a broadcast schedule designed in Canada. We can and must ensure healthy, Canadian-based programmes for Canadian children. We can and must celebrate the arts in Canada. We can and must put Canadians in touch with each other across the barriers of geography, culture and language.

Those are the touchstones that will keep the CBC relevant to Canadians. That is the basis on which we will work to earn our way with Canadians every day.

Let me give you an example of our ability to bring Canadians together. Today we are announcing Remembering Canada at War; a slate of special programming that pays tribute to Canada's war veterans. Between May 9 and June 15, CBC Television will run a series of 11 outstanding documentaries, news specials and drama. It will include, among others, "VE-Day Remembered," "D-Day Plus Fifty," "Forgotten Warriors," "No Price Too High," and "Dieppe." Our goal is to help audiences better understand the extraordinary contributions made by Canadians at a critical period in the world's history. No other broadcaster could or would broadcast such a series to a national audience of this size. But no other broadcaster has either our resources or our responsibilities.

The CBC has always been at its worst when it tried to copy somebody else. It has always been at its best when breaking the mould by pioneering with "As It Happens," the live double-ender interview, "La Petite Vie" or "This Hour Has 22 Minutes." To secure our future, we need to play by our own rules, not Hollywood's.

To be identifiably and innovatively Canadian is at the heart of the ongoing move to Canadianise CBC English television throughout the entire day every day. That's why it is our plan next fall to replace almost 1,000 hours of programming a year. It will not be easy but we will do so with extraordinary enthusiasm.

We are going Canadian because it is what we do best. It is what people search us out for. It is what makes us distinct. And it is what Canadians want and the country needs.

Sometimes people like to point nostalgically to the past as the Golden Age of Canadian broadcasting. I believe that the best years of Canadian broadcasting are not behind us: We are living in them right now.

When we were packing up our old head office in Ottawa, we found a milk glass that the CBC distributed during Canada's centennial year. Printed on the glass is the schedule for our English Television network. The highlights are such shows as "The Beverly Hillbillies," "Ed Sullivan," "Get Smart," "Red Skelton," "Green Acres," "Bob Hope Theatre," "The Man from Uncle," "Rat Patrol," "Hogan's Heroes," and "Bonanza." No doubt they were all great shows, but they were shows reflecting someone else's culture and values, not ours.

I am saving this glass, and I will use it to drink a toast when we complete full Canadianisation of our English TV schedule. That is when we will finally have done our part to accomplish Aird's vision from seven decades ago.

The Canadian broadcasting system is built on two complementary pillars, one private, the other public. If either were lost, the whole structure would be weakened.

To serve Canadians better, the CBC will use every opportunity to build partnerships with the private sector. We have already entered into production agreements with Global, Netstar and WIC. And we have forged creative new agreements with TVA, Atlantis, Bell, Power Broadcasting, Vision TV, ExpressVu and Rogers Wave@Home, to name just a few.

Today, we broadcast more programmes produced by independent producers than ever before. There may have been a time when we were so large or dominant that we could afford to go it alone, but that time is long since past. The way I look at it, every dollar we can save by sharing infrastructure or leverage out of new partnerships is one more dollar we can devote to Canadian programming. Our job is not to own transmitters or to fall in love with technology. Our mission is to connect Canadian eyes and ears to Canadian content.

There is no better example than the recently announced undertaking of the first-ever television history of our nation: “A People’s History of Canada/Une histoire populaire du Canada.”

This sweeping series will be produced simultaneously in French and English for audiences in both official languages, providing one of the first occasions when Canadians from every background will see a common interpretation of our history. It will be broadcasted over two years beginning as the new millennium dawns, and will cover the entire sweep of our national saga from the arrival of the first inhabitants more than 12,000 years ago up until the end of this century.

This is the CBC’s millennium project. It is a completely Canadian project. It will draw upon the CBC’s best creative minds and upon leading experts from outside the CBC. We will find the money to pay for it, not by turning to government for special funding, but by developing partnerships with the private sector. We would welcome the chance to build those partnerships with many of you in this room. This epic history project is a stellar example of why Canadians support the CBC and an example of the CBC’s unique role in forging bonds of identity.

Looking ahead, we know that we face a number of crucial decisions about the CBC’s future:

- As the range of choices available for every hour of viewing and listening grows exponentially, the competition for audiences will become even more intense. We need to ensure that the CBC is able to connect with Canadians.
- Changes in technology present 100 new ways to serve our audiences, but they can be both expensive and risky. We must decide whether and when to introduce technologies like high-definition television.
- At present, the economics of distributing our signals makes it cost effective to maintain our terrestrial distribution system. But the economics

may change in the future, making it worthwhile for us to redirect resources from distribution into programming.

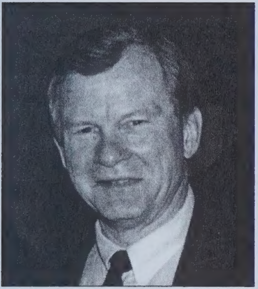
- To protect our brands and to use our content on both old and new media, we need to own more of our programming. Otherwise, we risk losing the assets we need to strengthen our identity and build partnerships with others.
- We are proud of our progress in reflecting the changing face of Canada, but I believe we must do more to serve young people and Canada's many cultural communities.

All of these are important issues, and there are scores of others to be faced as well. We are currently engaged in an intensive exercise to determine new strategic directions for the CBC. What is important is that we have gone from being a corporation that many people were writing off just three years ago to one that is stronger and better positioned for future challenges and opportunities than we have been for a long, long time.

We will demonstrate sound stewardship of financial resources, value for money and compliance with public needs. Through economy, efficiency and effectiveness, we will maximise the benefits of your investment in Canadian culture, Canadian content, Canadian programming and Canadian creativity.

The CBC owes that to you as shareholders. We owe that to you as taxpayers. We owe that to you as citizens.

The appreciation of the meeting was expressed by Bill Laidlaw, Third Vice-President, The Empire Club of Canada and Director, Government Relations, Glaxo Wellcome.



April 29, 1998

Major General (Ret.) Lewis MacKenzie

Former Chief of Staff, United Nations' Protection Force in Yugoslavia

CANADA—THE WORLD'S RELUCTANT HERO

Chairman: **Gareth S. Seltzer**
President, The Empire Club of Canada

Head Table Guests

David Edmison, Director, Martin Lucas & Seagram and Past President, The Empire Club of Canada; the Rev. Dr. Tim Elliott, Rector, Christ Church, Deer Park, Toronto; Laura Legge, Senior Partner, Legge & Legge and Director, Laura Sabia Research Endowment for Parkinsons; Clarice Azevedo, Grade 12 Student, West Toronto Collegiate Institute; Christine Smith, Chairperson, Ontario Chapter and National Chair, The Canadian Breast Cancer Foundation; The Hon. Henry N.R. Jackman, former Lieutenant-Governor of Ontario, Chairman and CEO, E-L Financial Group and Honorary Chairman and Past President, The Empire Club of Canada; William Saunderson, M.P.P., Chairman, Ontario International Trade Corporation and former Minister, Economic Development Trade and Tourism and MPP Eglinton; Anthony S. Fell, Chairman and CEO, RBC Dominion Securities Limited; Tony van Straubenzee, Chairman, The Parkinson Foundation of Canada, Partner, Insite Institute and Past President, The Empire Club of Canada; Bluma Appel, Entrepreneur and Cultural Activist and Chairperson, Canadian Foundation for AIDS Research; Frederik D. Eaton, Chairman, The Eaton Foundation;

William Harshaw, Vice Chairman, The Parkinson Foundation of Canada and William D. Laidlaw, Third Vice-President, The Empire Club of Canada and Director, Government Relations, Glaxo Wellcome Inc.

Introduction by Gareth Seltzer

Introduction by Tony van Straubenzee

Lewis MacKenzie

Due to technical problems Lewis MacKenzie's speech was not available for reproduction here.

The appreciation of the meeting was expressed by The Hon. Henry N.R. Jackman, former Lieutenant-Governor of Ontario, Chairman and CEO, E-L Financial Group and Honorary Chairman and Past President, The Empire Club of Canada.

In Memoriam—The Hon. Margaret Mary Scrivener, M.P.P.

passed away September, 1997

A long-time Member and Director of the Empire Club, Margaret Scrivener died in September, 1997. She was a mother, distinguished public servant and career woman whose diverse interests included journalism, urban planing, farming, politics, real estate and volunteering.

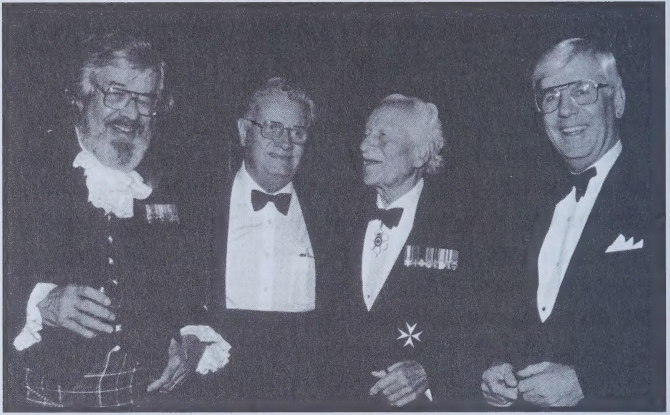
Margaret Scrivener developed her interest in the Empire Club from her father, Thomas Howse, who was President during 1948–49. As a Director, she enthusiastically promoted the interests of the Club for more than 15 years.

First elected to the Ontario Legislature in 1971, Mrs. Scrivener represented the people of St. David Riding for 14 years. She was re-elected three times and retired undefeated having served as Ministers of Government Services and Revenue under Premier Bill Davis. From 1985 to 1988, Mrs. Scrivener was Chairman of the Criminal Injuries Compensation Board.

She launched her farming career when she and husband, Richard, bought a 300-acre dairy farm near Keswick and assembled a herd of 200 purebred Guernsey cows all of which she managed until 1970.

Mrs. Scrivener was President of the South Rosedale Ratepayers Association, Chairman of the Community Planning Association of Canada (Ontario Division), Vice-Chairman of the Metropolitan Toronto Planning Board, Director of the Canadian Club and a member of the Toronto Hunt, The Albany Club, The Royal Canadian Yacht Club and St. James Cathedral. At the time of her death she was an agent with Martin & Meredith Real Estate.

Paul Scrivener



In Memoriam—Gordon G. Steele
Historian, Archivist
passed away September 11, 1997

Gordon's interest in and devotion to the venerable, internationally respected Empire Club of Canada was that of an educator. He was convinced of its potentially profound and guiding influence nationally, and particularly in the life of a great city. Founded in 1903, and always under the presidency of distinguished Torontonians, it had provided an international forum for the most notable, outstanding citizens from every corner of the world, including kings, princes, presidents, prime ministers, and leaders in all areas of society, in government, law, science, business, religion, the arts. Gordon claimed that their speeches, although invariably entertaining, were continually reflecting the changing face of our world, the massive upheavals in all societies, throughout our century. More than commentaries, he judged them to be lectures, never failing to illuminate, to question, to instruct, often with considerable power in shaping thought and opinions.

Finally there would be the remarkable Empire Club Yearbook compiling all speeches, a veritable text book of contemporary history as it unfolded, as well as offering invaluable study in the art of speechmaking, in school libraries.

Gordon's legacy would be his 15 annual Press Clippings Books, a stunning week by week collection of all print and pictorial media coverage of Thursday's speakers.

Gordon's grandfather had been a prominent school principal, and his father had served two terms as Chairman of the Toronto Board of Education, and Gordon with a Master's degree in Commerce became a teacher. He taught in Kitchener and Toronto secondary schools, eventually becoming vice-principal of the Central High School of Commerce. When he became Lecturer in Economics in the evening classes at the University of Toronto, two halls had to be joined to accommodate the numbers of those attending. A great speaker, never referring to notes, he had refused to teach theory rather than fact. (Also a great story-teller, he told of learning this lesson in his first teaching experience, when students during a first class in a Kitchener high school climbed out the window!)

During the war years, while his father travelled between Ottawa and Toronto, a director on the Canadian Munitions Board, Gordon, denied military service by rheumatic fever and its after-effects, wrote a series of required booklets explaining Canada's and the United States' War Strategy in their Price and Wage Controls. When his father died in 1944, he inherited the Steele Coal Company and the Standard Brick Company, fast running out of clay, and was forced to resign from his teaching posts. Later his Greenwood Avenue property was expropriated by the city for a subway station, and Gordon moved on to become President of Bayridge Corporation Ltd., and a successful builder.

A dedicated churchman, Gordon was the longest serving elder of Lawrence Park Community Church, serving enthusiastically in almost every office. He was also a faithful member of the Toronto Rotary Club.

Gordon's son and daughter who both became teachers, Gordon in his work as an Executive in Educational Television at TV Ontario, and Diana as an Assistant Professor in the University of Toronto Medical School, insist that Gordon was the finest, never-failing father in the world, while I simply thank God for my 52 years with a "rather unique Christian gentleman," as one of the ministers in a eulogy described him, and a truly perfect husband.

Betty Steele

(Betty Steele is a Toronto author.)

Annual General Meeting

President's Report

May 8, 1998

Chairman
Gareth S. Seltzer, President

Gareth S. Seltzer

Honoured guests, distinguished Past Presidents, members and friends of The Empire Club of Canada. Notice has been given that our annual meeting is to be held on this date and I have asked the Club Secretary, Willis Blair, to act as Secretary for the meeting.

In accordance with Article VI, Sub-section 2, The Empire Club's Constitution, I am pleased to report on the year's activities.

Administration, Program and Attendance

This past year was, in some senses, a watershed for your Club. We acknowledge the service provided to the Club by our previous administrator of 13 years, Anne Lato. Her retirement posed both a challenge and an opportunity for the Club. The challenge was to continue the schedule of the Club while operating without an administrator. This task was accomplished in no small part because of the teamwork of the executive and several distinguished Past Presidents. One outcome of this turn of events is that in the year ahead, we must work to update our membership roster, as this administrative changeover did not allow for the Club to pursue the renewals with the vigour of the past. An opportunity to leap ahead was seized in our hiring of Debbie Testa and we are impressed with her skill and enthusiasm to renew the administrative character of the Club office. A new web-site on the internet, a "faxback" program and other enhancements bode well for the future of the Club. In addition, this year was outstanding in terms of support that your Club received from corporate and other sponsors who share in the vision of Canada's foremost public affairs forum.

A total of 36 meetings for the year 1997–1998 attracted 6,817 attendees representing a statistical average of 189 attendees per meeting compared to a statistical average of 215 attendees per meeting last season. In a very deliberate move, the Club ran several luncheons on issues of importance to Canada knowing that these particular topics would draw a more modest audience. For instance, we were honoured to present The Hon. John Efford, Minister of Fisheries (The Government of Newfoundland and Labrador), Keith Norton, Chairman of the Ontario Human Rights Commission and Quebec activist, Guy Bertrand, who equally impressed our members and guests and, as always, our television and radio audiences. One has to balance the desire for a large audience with the need of the Club to address its mandate. This year proved that, with the support of our membership and distinguished board of directors and colleagues, The Empire Club of Canada once again has met the challenge of tackling important issues with great success.

Our speakers included academic, political, business and media personalities. They included Preston Manning (leader of The Reform Party of Canada), General Paul Rader (World Leader of the Salvation Army), President Ramos of the Republic of the Philippines, commentators Mike Duffy and Tom Clark, The Hon. Brian Tobin (Premier of Newfoundland and Labrador), His Ex. Gordon Giffin (the U.S. Ambassador to Canada), Major-General Lewis MacKenzie (former U.N. Commander in

Yugoslavia), and such business personalities as Richard Teerlink, Chairman of Harley-Davidson Inc. of Milwaukee, Dr. Michael Cowpland (Chairman, President and CEO of Corel Corporation), John Hunkin, George Cohon, Bobbie Gaunt, Robert Lantos and special interest personalities such as Peter Hogg and Donny Peterson, in addition to future guru Don Tapscott.

Membership

Total membership for the year 1997–1998 is 1,262 compared to 1,626 members in 1996–1997. Categories of membership are as follows:

	1997–1998	1996–1997
Honorary Life Members	5	5
Life Members	126	135
Spousal	136	298
Regular	756	945
Student	22	17
Senior	217	226

Finance

Membership fees for regular membership, $50; spousal, $60.00; senior, $37.50; student, $30.00; or senior spousal, $50.00 and varying amounts depending on age for life membership. Luncheon prices for members approximate the hotel charge for luncheons. An additional charge of $5 is levied on non-member luncheons. The financial statements for the year ending April 30, 1998 will be presented to the Board of Directors. The audited financial statements will be published in the 1997–1998 yearbook. I am pleased to report that, based on preliminary numbers as presented by our Treasurer, in the current year our revenue is expected to exceed expenses, even after the cost of administrative search and the acquisition of new state-of-the-art computer systems.

Foundation

With respect to The Empire Club Foundation, I extend our appreciation to Douglas L. Derry, Chairman of the Foundation, for his tireless work producing the yearbook which is a unique reflection of Canadian history, published continually since 1903. I also note that the yearbook is actively moving to becoming an "I-book" published on the internet and we are excited about this progress.

In Memoriam

I also recognize the passing of Margaret Scrivener and Gordon Steele, both of whom made valuable contributions to the Club. We shall miss both of them.

Appreciation

Lastly, I recognize the diligence and hard work of the past presidents, directors, officers, members and volunteers This is, after all, a volunteer organisation. On the occasion of the 95th anniversary of The Empire Club of Canada, I thank all of you for giving me the privilege of serving you as your President and I extend also my appreciation to my friends and family who have wondered where I have been for the past 12 months. I enjoyed the experience immensely.

Respectfully submitted,

Gareth S. Seltzer
President

Gareth Seltzer moved adoption of his report, seconded by Bob Dechert.

Report of the Nominating Committee

May 8, 1998

William D. Laidlaw

Mr. President, fellow directors, distinguished guests, members of The Empire Club of Canada. It is my pleasure, as Chairman of the Nominating Committee, to report on the work of the Committee which was constituted in accordance with Article III of the Club's Constitution.

Nominating Committee

The following persons served on the Committee:

From the Board of Directors:
  William D. Laidlaw—Chair
  Ed Badovinac
  George Cooke
  David Edmison
  Julie Hannaford

From the membership at large:
  Catherine Charlton
  John Koopman
  Michael Langstaff
  Willis Blair

Honorary Officers

The Nominating Committee is pleased to report that the Honorary Officers nominated for the 1997-98 season are as follows:

Honorary President
  The Rt. Honourable Roméo LeBlanc
  P.C., C.C., C.M.M., C.D.
  Governor General of Canada

Honorary Vice-President
The Honourable Hilary M. Weston
Lieutenant-Governor of Ontario

Honorary Chaplain
The Rt. Rev. Terence E. Finlay

Honorary Secretary
Alan Tonks

Honorary Treasurer
Hartland M. MacDougall, C.V.O., O.C.

Honorary Solicitor
The Hon. William Grenville Davis, P.C., C.C., Q.C.

Archivist and Historian
Angus Scott

Honorary Directors

It is the recommendation of the Committee that the following continue as Honorary Directors: Leland H. Ausman, Mary. R. Byers, The Hon. Barnett J. Danson, P.C., Major William A. Duncan, C.D., A. Carlyle Dunbar, Katie Hermant, Montague Larkin, Angus Scott, J.A.William Whiteacre, M.M., C.D., Q.C. and William Whittaker, Q.C.

In addition to these the Committee would like to recommend a new Honorary Director: Larry Stout.

Directors

According to the Club's Constitution "the Board of Directors shall consist of forty members ... including at least four Past Presidents of The Empire Club, one of whom shall be the immediate Past President and three others shall be the three Past Presidents immediately preceding the immediate Past President..."

Therefore, in recognition of this constitutional requirement, the Committee nominates the following Past Presidents as Directors of the Club:

the immediate Past President, Gareth S. Seltzer

and also Julie K. Hannaford, David A. Edmison and John A. Campion.

Furthermore, the Nominating Committee recommends that the following members of the Board of Directors continue to serve in the coming year:

Edward P. Badovinac
Rev. Kim Beard
S. W. (Sam) Billich
LCol. A. G. (Sandy) Cameron, O.St.J., C.D., AdeC.
Jocelyne Côté-O'Hara
Jan Dymond
Fredrik D. Eaton
Blake C. Goldring
Duncan N. R. Jackman
Anne Libby
Marcia McClung
William J. McCormack
David McFadden, Q.C.
Marnie McGarry
Bart J. Mindszenthy
Maria Roman-Bricknell
Kenneth B. Rotman
John Sadler
Margaret Samuel
C. Alexander Squires
L. Douglas Todgham
John H. Tory
Thomas L. Wells
Rose Wolfe
Gwyne Willmot

Resignations

I would like to take this opportunity to pay tribute to Mary Lou Benotto, Gwyn Gill, Denise Cole and Garry Thompson who will not be standing for re-election. All have been of great service to the Club and we are grateful to them.

New Directors

Your Nominating Committee is pleased to nominate the following new members for the Board of Directors:

Kenneth Shaw
Bruce Sinclair
Catherine Steele
Sandra Whiting
Robert Kelly

Officers

In addition to the above-mentioned nominees, the Committee recommends the election of the following three people who will be proposed to the Board of Directors for appointment to the positions of Vice-President and Director:

1st Vice-President and President-Elect
Robert J. Dechert

2nd Vice-President and Director
William D. Laidlaw

3rd Vice-President and Director
Ann Curran

The Nominating Committee is pleased to report that Willis L. Blair will continue as Secretary and that Diana L. Chant, C.A., has agreed to continue as the Club's Treasurer. Both Willis Blair and Diana Chant will also serve as Directors of the Club.

Finally, your Committee is pleased to nominate as President and Director of The Empire Club of Canada for its 1998–99 season, George L. Cooke.

Respectively submitted,

William D. Laidlaw
Chairman

After William Laidlaw presented his report, it was seconded by Sandy Cameron. There being no further nominations, Ed Badovinac moved that nominations be closed. Bill Duncan seconded the motion.

The President then asked the Secretary, Willis Blair, to cast a single ballot in favour of those persons named in the report of the Nominating Committee, in accordance with Article III-3 of the Constitution of the Club.

The new President, George Cooke, then came forward and was installed as President and received the chain of office from the retiring President, Gareth Seltzer.

The President George Cooke expressed his gratitude for the confidences placed in him as he assumes his new responsibilities. President George Cooke moved, seconded by Sandy Cameron, to approve the signing officers for The Empire Club of Canada for 1998–99, the Club's 95th year. The meeting was adjourned.

The Empire Club of Canada

MEMBERSHIP 1997–1998

Life Members

N. John Adams
J. D. Alexander
William N. Allan
Graham H. Ambrose
B.Gen. & Mrs. S. F. Andrunyk
Mr. & Mrs. Leland H. Ausman
Ruby P. Avison

Mr. & Mrs. Edward Badovinac
John Bassett
Joseph Batty, OBE
Mr. & Mrs. Ian S. Baxter
D. S. Beatty
M. E. Louise Beck
Dr. R. C. Bennett
Bruce Birrell
Willis L. Blair
R. L. Broad
Arthur E. Brown

Mrs. Charles Carter
Sir Arthur R. T. & Lady Chetwynd
Mrs. Eleanor G. Cook
Mr. & Mrs. Elgin E. Coutts
John A. D. Craig
Nola Susan Crewe
Dorothy Crummey
Mrs. Matthew Currie

George C. Damiani
Douglas A. C. Davis
Elvio Del Zotto
Mr. & Mrs. D. L. Derry
Robert G. Douglas
A. A. Duncanson

Joseph L. Etherington

Dr. David J. Fieldhouse
A. E. Fitzpatrick
Federico Friedberg
Col. C. S. Frost, Jr., Q.C.

Lillian G. Gandier
George Raymond Gibson
J. Rennie Graham
Kenneth G. Graham
Patricia A. Grand
Wayne Scarisbrick Gray
Ian Griffin
John W. Griffin
Rainer E. Gut

George S. Hanson
Nona Macdonald Heaslip
Paul T. Hellyer
Roland E. Henderson, Q.C.
Adam B. T. Hermant
Peter Hermant
John D. Herrick
Col. R. H. Hilborn
William S. Hill
Dorothy Hobbs
Dennis Holota
Mrs. E. Howell

A. E. M. Inwood
John F. Irwin

Henry N. R. Jackman
Friederich W. Jung

Elfreda W. Karn
John Kemp
F. Marion Kiddell

James G. Laidlaw
A. T. Lambert
John V. Lawer, Q.C.
Kenneth Legge
M.Gen. Bruce J. Legge
Eric N. Lehner
Friedrich Lehner
James D. Lewis
Mr. & Mrs. D. D. Lucas
Joseph F. Luciano

John & Gail MacNaughton

Ewald P. Mazurek
Fred G. McBrien
John S. G. McCrimmon
James W. McCutcheon, Q.C.
F. Y. McCutcheon
Konrad R. W. Mech
Dr. Herbert Michel
Mr. & Mrs. Edwin Mirvish
D. V. Mosher
Clifford N. Moss

John F. Nagel
James G. A. Naish

Major & Mrs. R. B. Oglesby
Stanislaw T. Orlowski

Norman Pearson, F.R.T.P.I.
B. E. Plain
Dr. Sheila Pollock
D. A. Pryer

Grant L. Reuber
John E. Richardson
Rev. Canon & Mrs. H.F. Roberts
Helen E. Roman Barber
Col. The Hon. R. C. Rutherford

Leo E. Schacter, Q.C.
J. A. Seyfried
Mrs. H. R. Shaver
Samuel V. Shefsky
Dr. & Mrs. W. K. Shultis
James R. Smeed
Albert Smith, Q.C.
Mrs. Donald T. (Audrey) Smith
Sam Sniderman, C.M.
Dr. & Mrs. R. F. Stackhouse
G. O. Stafford
Henry J. Stalder
Mr. and Mrs. G. G. Steele

Graham John Tappin
Mrs. Barton F. Teasdale
K. R. Thomson
Leonard I. Turkevics
R. Turnbull
Capt. T. C. Turner, C.D., R.C.N.R.
L.Col. P. J. Tuz, C.M., C.D.

Michael Van Denbossche

Gordon Waldie, Q.C.
Kenneth M. Watson
F. Bartlett Watt
Douglas S. Wells, O.M.C.

Andrew Stephen Zarnett

Senior Members

H. H. Alexander
Nizamud-Din Alibhai
Mona Allworth
Rev. Harry Amey
R. F. K. Anthony
Bluma Appel
Wm. L. Archer, Q.C.
G. Warren Armstrong
Douglas Astley

Sharon Baptista
Sonja Bata
K. J. Beamish
Josephine Beard
Ruth Beaucage
Fred E. Becker
Dr. Henry Berry
J. L. Biddell
Prof. Dr. Petro B.T. Bilaniuk
Walter Bilbrough
Peter J. Bloemen
Jessie K. Borthwick
William B. Bot
K. Breuer
Roel C. Buck
Alexander Budrevics
Catherine E. Butters

Ina C. Cahill
Dorothea Carter
William B. Cavan
Dixon S. Chant
E. J. Chard
James H. Clarke
A. H. M. Claus Van Banning
Major F. N. Clifford
Tom Clifford
J. M. Wayne Code
J. M. Coker
J. C. P. Conrad
His Honour Judge F. J. Cornish
Lois G. Cowan
W. D. Cowan
R. W. Crawford
Ronald J. Crichton
Richard Vincent Critchley
Noel Croxon

William W. Cruise
Rita Culnan
Taimi Cushing
Dr. Kalman Czegledy

R. G. Dale, D.S.O., D.F.C., C.D.
Dr. Naim Dallal
The Hon. Barnett J. Danson
S. Darveshali
Bill Dickinson
R. V. Doty
L. R. Douglas
Shaun Patrick Duffy
Mr. Justice Norman Dyson

Stuart E. Eagles
Brian A. Edgar
John J. Elder
Gord Ellis

Mrs. D. Y. Ferguson
Peter B. G. Ferguson
Win Finlayson
Rhoda Finneron
Imre Finta
Richard H. Fisher
Robert J. Fleming
L. G. B. Flint
C. Dennis Flynn
Carl Fox
Mrs. G.R. French

Juergen Geber
Graeme Goebelle, ESQ
Dr. Rene Goldberger
W. L. Goldson
Tadeusz Gonsik
John E. Goodwin
Dr. M. E. Graham
Dr. O. J. Graham
Earle Gray
T. P. Gregor
Karl Gyaki

Annabell Halliday
C. L. Haney
Stella Hannaford
Ruth Hart
Keith C. Hendrick
Susi Hickl-Szabo
Cedolph Hope
Ying Hope
Robert G. Hortop, C.A.
LCol. P. W. Hunter

Aldo Ippolito
A. B. Irwin

Aileen Jackson
Bernice Jackson
H. J. Janthur
E. B. Jolliffe, Q.C.
Douglas A. Joyce

Terence Kavanagh
Netta Keaton
Clayton Keefe
Norman J. Keyes
Dr. George Kibedi
Marie Knaul
LCol. Gerhard A. W. Knopf
Coral Ko
Sonja N. Koerner
Virginia Koury

Peter K. Large
Andrew Lawson, Q.C.
D. G. Lawson
Trevor B. Lewis
E. C. Lipsit
Wilfried Lorenz
John M. Lowndes, Q.C.
John H. Lupp

H. Ian Macdonald
Robert K. Mackenzie
G. Peter MacNames
Dr. George A. Malcolm, D.C.
June Marks
Joyce Marshall
Victor Martinaitis
Anthony V. Mason
G. Chester McClure
Willis S. McLeese
Marjorie McLetchie
Colin J. McMechan
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Donald W. McQuat
Patrick Meany
John C. Medcof
R. C. Meech, Q.C.
Shirley Mendelson
J. Alexander Menzies, Q.C.
Russell Merifield
George E. Mills
Douglas G. Milne, Q.C.
John H. Milnes
G. A. Morizet-McDonald

James Leslie Morrow
Robert Morrow

Douglas C. Nesbitt
Edward A. Nixon
Edwin T. Nobbs
Anne Nosov
Trudi Nussbaum

Alfred U. Oakie
Col. Edmunds Ozols

Mrs. L. C. Parkinson
W. W. Pegg
Capt. E. M. Peto
E. T. Pherrill
Leslie Phillips
Ted Piefarz
E. B. Pinnington
David W. Pretty
Fran Pringle

Corinne V. Rauthmell
J. F. Reason
Margaret Reid-Weston
Ross M. Rennie
Martyn Rice
Walter Roberts
R. N. Robertson
Mr. Justice S. L. Robins

Basil C. Samme
Marie Scanlon
Angus C. Scott
J. Kenneth Scott
Rose Lynne Scott
R. Dorene Seltzer
Thomas J. Sexton
Robert C. Short
Oscar T. Sigsworth
Bruce Sinclair
Ross V. Smiley
Ostap E. Sokolsky, Ph.D.
Shael S. Sone, C.A.
R. H. Soward, Q.C.
C. Wilson Spencer
S.M. Stevens
William A. Stewart
Fred C. Stokes
Gerd H. Stoppenbrink
Thomas John Succamore
R. C. Swenson
Dr. Thomas Szirtes, P.Eng.

P. H. Taylor
Y. T. Tse

The Hon. M. M. Van Camp
I. N. Van Nostrand
Shirley Velletta

Shirley Grace Walker
Clarke Wallace
Thomas A. Wardle
Albert G. Watson
Thomas L. Wells
Patrick White
Douglas J. Whitfield
Richard L. Whittington
W. P. Wilder
Jacqueline Wilfert
Warren D. Wilkins
Marina Winters
Joan M. Wright
John L. Wright

John H. Yocom
Ernst Younes

Arie Ziering
Frank A. Zimmer
Adam H. Zimmerman
Michael Zygocki

Regular Members

Richard Abboud
James W. Abernethy
Vic Ackerman
D. S. Affleck, Q.C.
Greg Alford
Debra Allan
M. Elyse Allan
Ron Allison
John E. Alsop
Angela Angus
Paul F. Anisman
W. Alfred Apps
Peter Arender
B. Armstrong
Susan M. Armstrong
H. Anthony Arrell
Toni Ashton

Davies Bagambiire
R. F. Baines
Gordon R. Baker
Samuel R. Baker, Q.C.

Raj Bakhshi
Bruce S. Bando
John F. Bankes
Chris Baptista
Theo J. Bark
W. Thomas Barlow
C. S. Barltrop
Paul Barnicke
Walter L. Baron
John P. Barratt
Joyce Barslow
Douglas G. Bassett
Dr. Peter G. Bastian
Michael Bator
Rev. Kimberley J. Beard
A. L. Beattie, Q.C.
Ron Begg
Rachel Belash
Paul Bellack
Gregory S. Belton
Avie Bennett
Jalynn H. Bennett
Peter I. Benson
Andrew J. Bertram
Michael Beswick
Aziz Bhaloo
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Auditors' Report

To the Members of
The Empire Club of Canada

We have audited the statement of financial position of The Empire Club of Canada as at April 30, 1998 and the statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Club's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Club as at April 30, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the Ontario Corporations Act, we report that in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG
Chartered Accountants

Toronto, Canada
August 28, 1998

Financial Report

THE EMPIRE CLUB OF CANADA
Statement of Financial Position

	Year Ended April 30	
	1998	1997
Assets		
Current Assets		
Cash and short-term deposits	$357,368	$ 302,470
Accounts receivable	21,665	17,883
Inventory	2,058	2,041
Prepaid insurance	1,350	—
	382,441	322,394
Capital Assets	1	1
	$382,442	$322,395
Liabilities		
Current Liabilities		
Accounts payable	$ 51,046	$ 24,259
Due to The Empire Club Foundation	106,592	106,444
Provision for prepaid membership fees and unredeemed luncheon tickets	10,970	6,451
	168,608	137,154
Net Assets		
Unrestricted	194,257	165,664
Internally restricted for life membership	19,577	19,577
	213,834	185,241
	$382,442	$322,395

Signed on behalf of the Board

Frederic L. R. Jackman
Director

Diana L. Chant
Director

The accompanying notes are an integral part of these financial statements.

THE EMPIRE CLUB OF CANADA
Statement of Changes in Net Assets for the Year Ended April 30, 1998

	Internally Restricted	Unrestricted	Total 1998	Total 1997
Net Assets, Beginning of Year	$ 19,577	$165,664	$ 185,241	$ 147,660
Excess of, Revenue over Expenditures	—	$ 28,593	$ 28,593	$ 37,581
Net Assets, End of Year	$ 19,577	$194,257	$ 213,834	$ 185,241

The accompanying notes are an integral part of these financial statements.

Financial Report

THE EMPIRE CLUB OF CANADA
Statement of Operations

	Year Ended April 30 1998	 1997
Revenue		
Membership fees	$ 34,743	$ 38,151
Luncheons		
Regular, net	38,942	31,905
Special	17,072	22,907
Head table sponsorship	42,860	44,229
Other sponsorships	3,500	13,178
Interest	8,463	9,605
	145,580	159,975
Expenditures		
Meetings	910	980
Members' notices	19,207	22,211
Office and general	14,085	10,658
Office salaries and employee benefits	36,461	39,530
Printing, stationery and postage	3,249	6,471
Publicity and promotion	1,661	2,033
Rent	11,239	10,819
Telephone	5,175	4,692
Yearbook donation and sundry expenses	25,000	25,000
	116,987	122,394
Excess of Revenue over Expenditures for the Year	$ 28,593	$ 37,581

The accompanying notes are an integral part of these financial statements.

THE EMPIRE CLUB OF CANADA
Notes to Financial Statements for the Year Ended April 30, 1998

General

The Club was incorporated under Letters Patent in the Province of Ontario on March 26, 1912. The principal function of the Club is to provide a forum for prominent people to address members of the Club and their guests on topics of current interest.

1. *Summary of Significant Accounting Policies*

(a) Revenue Recognition
Revenues are recorded on the accrual basis of accounting.

(b) Inventory
Inventory is valued at the lower of cost and net realisable value.

(c) Capital Assets
Capital assets, consisting of office furniture and equipment, are recorded at nominal value and additions are recognised as an office and general expenditure in the year acquired. There were no significant additions in the fiscal year ended April 30, 1998.

(d) Due to The Empire Club Foundation
A donation to The Empire Club Foundation for the estimated cost of supplying the Club's membership with the yearbook of the current year is accrued each year.

(e) Deferred Revenue
Deferred revenue consists of membership fees paid in advance and unredeemed luncheon tickets.

(f) Statement of Changes in Financial Position
A statement of changes in financial position has not been included as it would not provide any additional meaningful information.

2. *Internally Restricted—Life Membership*

   Term deposits are segregated as funding for this reserve in order to provide a continuing income stream to sustain the membership costs of life members.

3. *Commitment*

   In November 1997, the Club entered into a lease agreement for premises expiring September 30, 1999. Minimum annual rental payments under this lease agreement for the year ending April 30, 1999 amount to $9, 085.

The Empire Club Foundation

April, 1999

Ladies and gentlemen,

The 1997–98 year, under the leadership of Gareth Seltzer, was one of continued progress in bringing interesting and relevant addresses to our members and guests. The addresses in this yearbook demonstrate this well.

The outreach of our Club, beyond our members who attend the luncheons, has also never been greater. The broadcasting and re-broadcasting on radio and television of all addresses to widespread audiences, has continued; and this volume of addresses is the 94th consecutive year of publishing speeches made to The Empire Club.

The speeches over this period provide a very interesting commentary on our country through the views of a varied group of perceptive and influential individuals. They are a valuable resource for our members and for those interested in reading or researching the development of our country through the 20th century.

A major two-year initiative of The Empire Club Foundation is now complete, making our significant resource of Canadiana available to historians, researchers, and members. An index of all speeches since 1903, with a brief description of the topic, is now available on the internet. Addresses can be searched by speaker, topic, year or range of years. The speeches themselves can then be obtained through libraries or purchased through the Club office. The address is:
http://www.hhpl.on.ca/EmpireClub/foundation.htm

The yearbook is provided to members as one of the benefits of Club membership. The Empire Club Foundation also donates 1800 copies to public and educational libraries across Canada, and to Canadian embassies.

The yearbook is funded through the generosity of the many members and friends of The Empire Club of Canada. On behalf of the Foundation, I thank everyone who has helped to make this possible.

Sincerely,
Douglas L. Derry, FCA
Chairman

The Empire Club Foundation

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http://www.hhpl.on.ca/EmpireClub/foundation.htm

Auditors' Report

To the Members of
The Empire Club Foundation

We have audited the statement of financial position of The Empire Club Foundation as at April 30, 1998 and the statement of operations and net assets for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Foundation derives revenue from donations from supporters, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to donation revenue, excess of expenses over revenue, assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the donations referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at April 30, 1998 and the results of its operations and the changes in net assets for the year then ended in accordance with generally accepted accounting principles. As required by the Canada Corporations Act, we report that in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG
Chartered Accountants

Toronto, Canada
December 3, 1998

Financial Report

THE EMPIRE CLUB FOUNDATION
Balance Sheet as at April 30, 1998 with comparative figures for 1997

	1998	1997
Assets		
Current Assets		
Cash	$ 10,338	$ 22,304
Accounts and interest receivable	1,690	5,147
Due from The Empire Club of Canada	106,592	106,444
	$118,620	$133,895
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	$ 96,321	$ 82,459
Net Assets	22,299	51,436
	$118,620	$133,895

Signed on behalf of the Board

Douglas Derry
Director

Ronald Goodall
Director

The accompanying notes are an integral part of these financial statements.

Financial Report

THE EMPIRE CLUB FOUNDATION
Statement of Operations and Net Assets for the Year Ended April 30, 1998 with comparative figures for 1997

	1998	1997
Revenue		
Donations:		
The Empire Club of Canada	$ 25,000	$ 24,950
Supporters	31,097	101,900
Interest	189	1,623
	$ 56,286	$128,473
Expenses		
Yearbook	58,353	29,243
Database	26,326	4,500
Stationery, postage and other expenses	744	2,258
	$ 85,423	36,001
Excess of Revenue over Expenses (Expenses over Revenue)	(29,137)	92,472
Net Assets (Liabilities)- Beginning of Year	51,436	(41,036)
Net Assets - End of Year	$ 22,299	$ 51,436

The accompanying notes are an integral part of these financial statements.

Financial Report

THE EMPIRE CLUB FOUNDATION
Notes to Financial Statements for the Year Ended April 30, 1998

1. *The Foundation*

   The Foundation was incorporated on January 22, 1969 under the laws of Canada as a non-profit organisation. The principal function of the Foundation is the publication and distribution of yearbooks, containing the texts of addresses to The Empire Club of Canada, to the Club's members and libraries across Canada. The Foundation's activities are funded by donations.

2. *Significant Accounting Policy*

   The Foundation includes donations in revenue when received except for donations from The Empire Club of Canada which are included in revenue when pledged. The estimated cost of publishing and distributing yearbooks of the current year is accrued each year.

3. *Uncertainty due to the Year 2000 Issue*

   The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Foundation, including those related to the efforts of donors, suppliers, or other third parties, will be fully addressed.

CONSTITUTION

As amended April 26, 1973

Organisation of the Club

ARTICLE I

Name

1. The Name of the club shall be The Empire Club of Canada.

Purpose and Object

2. The purpose and object of the club is to promote the interests of Canada and the British Commonwealth by the consideration and discussion of subjects and events relating thereto and by any other means appropriate to the facilities of the club.

Membership

ARTICLE II

Classes of Members

1. The membership of the club shall consist of:
   (a) Honorary members
   (b) Life members
   (c) Regular members
   (d) Corporate members

   All members of classes (a), (b), (c), must be the full age of eighteen years.

Honorary Members

2. Honorary members may be elected by the unanimous vote of those present at a meeting of the board of directors. They shall be exempt from the payment of fees but shall not have the privilege of voting or holding office and their membership shall be terminated at any time by a two-thirds majority of those present at a meeting of the board of directors.

Life Members

3. Members of the club in good standing (other than corporate members) and other persons regularly proposed may be elected life members by a two-thirds

majority of those present at a meeting of the board of directors. Life members shall pay such a fee in one sum as may be fixed from time to time by the board of directors.

Regular Members

4. Save as provided in Section 5 of this Article candidates for regular membership shall be proposed by a member in good standing and shall be elected by a two-thirds majority of those present at a meeting of the board of directors.

Save as provided in Section 5 of this Article regular members shall pay respectively such annual fees as may be fixed from time to time by the board of directors.[1] Members elected after the first day of March in any year shall pay one annual fee only in respect of the period from the date of election until the thirtieth day of September in the following year. No member in arrears for fees after January 1 shall be considered in good standing.

Corporate Members

5. Any company, partnership or business organisation shall be eligible for election as a corporate member. Applicants shall be proposed by a member in good standing and the application shall contain the names and positions of the persons nominated by the applicant as its representative regular members. The applicant and its nominated representatives shall be elected by a two-thirds majority of those present at a meeting of the board of directors. A corporate member shall be entitled to nominate such number of its representative regular members as may be fixed from time to time by the board of directors and shall pay such annual fee as may be fixed from time to time by the board of directors, provided that such fee shall not be

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[1] *By resolution of the Board, November, 1981, and under Article II, 4, of the Constitution, it was agreed that the club charge a lesser membership fee for spouses living at the same residence, and that this fee should be fixed annually.*

less than the aggregate fees which would have been payable on an individual basis by such representative members for the year in question. Save as in this section provided no fee shall be payable by or in respect of the representative regular members of a corporate member.

Directors

ARTICLE III

Duties and Powers

1. The affairs of the club shall be managed by a board of directors who may exercise all such powers and do all such acts and things as may be exercised or done by the club and are not by the by-laws or by law directed or required to be done by the club at a general meeting of its members. At all meetings of the board of directors the chairman of the meeting shall have a casting vote.

Number and Quorum

2. The board of directors shall consist of forty members of whom sixteen shall constitute a quorum. The board of directors shall include at least four past presidents of the club, one of whom shall be the immediate past president and three others shall be the three past presidents immediately preceding the immediate past president if they are willing and able to act as directors.

Election of Directors

3. A nominating committee consisting of five members of the board of directors and four other regular members of the club shall be appointed annually by the board of directors at least thirty days prior to the annual meeting and shall prepare a list of nominations for directors for the ensuing year. The chairman or acting chairman of the nominating committee shall report the nominations of that committee to the annual meeting at which the board of directors shall be elected, but nothing herein shall preclude the nomination of other persons for the office of directors at the annual meeting. If nominations do not exceed the number of directors necessary, the chairman of the

meeting may instruct the Secretary-Treasurer to cast one ballot in favour of those so nominated and thereupon such persons shall be declared by the chairman to have been duly elected. No person shall be elected a director unless he is a regular member in good standing and is a Canadian citizen or a British subject.

Meetings of Directors

4. Meetings of the board of directors shall be called by the President, or on a requisition signed by three of its members. Written notice of such meetings shall be given to each director five days or more before the meeting is to take place, provided that a meeting may be held at any time if all the directors are present or if those absent have waived notice of or otherwise signified their consent to such meeting being held in their absence or have approved or signified their approval in writing to the proceedings taken at the meeting. The board may appoint a day or days in any month or months for regular meetings, at an hour or place to be named, and of such regular meetings, no notice need be given.

Casual Vacancies

5. In the event of any vacancy occurring in the office of director, the remaining directors may fill the vacancy from among the members for the unexpired portion of the term of office of the person whose office is vacant.

Officers

ARTICLE IV

1. The officers shall consist of an Honorary President, an Honorary Vice-President, a President, First, Second and Third Vice-Presidents, an Honorary Treasurer, an Honorary Secretary, a Secretary and a Treasurer. The board of directors may from time to time elect or appoint such other officers as it shall deem necessary. The President and the Vice-Presidents shall be directors of the club but other officers need not be directors. No person other than the Honorary President and the Honorary Vice

President shall be eligible for office unless he is a member in good standing. The President shall, when present, preside at all meetings of the members and of the board of directors. During the absence or inability to act of the President, the Vice-Presidents in order of seniority shall act as chairman at such meetings and otherwise perform and exercise the duties and powers of the President.

Appointment of Officers

2. The board of directors shall meet as soon as convenient after their election for the purpose of appointing the officers of the club for the period ending April 30 in the next year but each officer shall continue in office until his successor is elected.

Casual Vacancies

3. In the event of a vacancy occurring in any office the board of directors may fill the vacancy for the unexpired portion of the term.

Honorary Auditor

4. An Honorary Auditor shall be appointed at each annual meeting. An audited statement of the finances of the club for the fiscal year shall be published annually and a copy shall be sent to each member.

Committees

ARTICLE V

1. The following standing committees and the chairman of each shall be appointed by the board of directors as soon as convenient after the election of the board:
   (a) Budget and Finance Committee
   (b) Speaker's Committee
   (c) Membership Committee
   (d) Constitution Committee
   (e) Reception Committee
   (f) Publicity and Public Relations Committee
   (g) Yearbook Committee
   (h) Head Table Committee

provided that for any year the board of directors may by resolution elect not to appoint any one or more of such committees.

2. The President or the board of directors may from time to time appoint such other committees as may be deemed expedient.

Meetings of Members
ARTICLE VI

General Meetings

1. The club shall hold general meetings weekly, if possible, from October to April, both inclusive, in each twelve months with such intermissions as may from time to time be determined by the board of directors. Special meetings of the club may be called at any time by the President.

Annual Meeting

2. The annual meeting shall be held not later than April 30 in each year. At the annual meeting a report of the year's proceedings and work shall be submitted by the President and this report shall be accompanied by an interim report from the Secretary-Treasurer.

Notice of Meetings

3. Written notice of all meetings shall be given all members of the club before the date on which the meeting is to be held. Such notice shall be sufficient if addressed to the members, and deposited post paid in the post office in Toronto. The accidental failure or omission to give notice to any member shall not invalidate the proceedings at any meeting.

Quorum at Meetings

4. Sixteen members in good standing shall constitute a quorum at any meeting of the club, general, annual or special, and the chairman of the meeting shall have a casting vote.

Limitation of Business at General Meetings

5. No business other than the hearing of the addresses shall be introduced at any meeting of the club by any person

other than the chairman of the meeting, unless it has been submitted to the board of directors and received its approval.

Fiscal Year

ARTICLE VII

The fiscal year of the club shall end on such day in each year as may be fixed by the board of directors but unless so fixed by the board shall end on April 30.

Amendments

ARTICLE VIII

Subject to the provisions of The Corporation Act this constitution may be amended by the board of directors, but unless in the meantime confirmed by a majority of the members present in person at a meeting of the members duly called for that purpose, any amendment is effective only until the next annual meeting of members unless so confirmed thereat and, in default of such confirmation thereat ceases to have effect at and from that time, and in that case no new amendment of the same or like substance has any effect until confirmed at a meeting of the members.

Amendment to By-Law A

The President stated that the Directors at their last meeting had amended the General By-Law of the Club so that the first Vice-President could be designated in the future as first Vice-President and President-Elect. This change was required to be confirmed by the members and accordingly

ON MOTION DULY MADE, SECONDED, AND UNANIMOUSLY CARRIED, it was resolved that the following amendment to Paragraph 1 of Article IV of By-Law No. A be confirmed:

Officers

The officers shall consist of an Honorary President, an Honorary Vice-President, a President, a first Vice-President and President-Elect, Second and Third Vice-Presidents, an Honorary Treasurer, an Honorary Secretary and a Secretary-Treasurer. The Board of Directors may from time to time elect or appoint such other officers as it shall deem necessary. The President, the First Vice-President and President-Elect, the Second Vice-President and the Third Vice-President shall be directors of the Club but other officers need not be directors. No person other than the Honorary President and the Honorary Vice-President shall be eligible for office unless he is a member in good standing.